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1966

ANNUAL REPORT

**USF&G**



# **UNITED STATES FIDELITY AND GUARANTY COMPANY**

*parent of Fidelity Insurance Co. of Canada*

**SEVENTY-ONE YEARS  
OF INSURANCE  
AND  
SURETYSHIP**

	NET PREMIUMS WRITTEN	ADMITTED ASSETS on December 31	TOTAL CAPITAL FUNDS on December 31
1896	\$ 6,762	\$ 281,420	\$ 271,619
1906	2,316,031	3,650,655	2,082,516
1916	10,628,348	13,891,908	5,232,434
1926	38,135,306	52,454,219	15,659,918
1936	32,867,714	46,393,597	10,829,395
1946	56,025,556	111,759,835	33,486,441
1956	231,536,798	405,793,300	122,267,204
1962	326,489,357	743,778,702	289,845,373†
1963	335,471,653	812,000,013	336,243,771
1964	362,991,197	877,425,450	367,486,465
1965	393,939,984	952,692,287	406,722,214
1966	448,428,265	997,834,932	388,940,488

† Includes \$58,254,000 from the exchange of stock for Merchants Fire Assurance Corporation.

Not Consolidated.

# USF&G

ANNUAL REPORT

*For the year ending December 31, 1966*



UNITED STATES FIDELITY AND GUARANTY COMPANY  
BALTIMORE, MARYLAND 21203

## 1965-1966 COMPARATIVE OPERATING RESULTS

(Consolidated for 1965)

	<u>1966</u>	<u>1965</u>	Increase or Decrease	Percentage of Change
Net Premiums Written.....	\$448,428,265	\$394,163,522	\$ 54,264,743	13.8%
Net Premiums Earned.....	429,292,541	389,571,694	39,720,847	10.2
Increase in Unearned Premium Reserve.....	19,135,724	4,591,828	14,543,896	316.7
Investment Income.....	26,509,560	24,396,922	2,112,638	8.7
Underwriting Gain or Loss.....	8,636,673	-6,062,785	14,699,458	—
Admitted Assets.....	997,834,932	970,533,317	27,301,615	2.8
Total Capital Funds.....	388,940,488	406,722,214	-17,781,726	-4.4
	<u>1966</u>	<u>1965</u>		
Underwriting Expenses Incurred to				
Premiums Written.....	33.28%			34.58%
Losses and Loss Adjustment Expenses				
Incurred to Premiums Earned.....	63.22			66.57
Trade Profit or Loss.....	<u>3.50</u>			<u>-1.15</u>

## ADJUSTED EARNINGS PER SHARE

Based on 8,422,714 shares outstanding

	<u>1966</u>	<u>1965‡</u>	<u>1964‡</u>	<u>1963‡</u>	<u>1962</u>
Investment Earnings.....	\$ 3.15	\$ 2.90	\$ 2.72	\$ 2.51	\$ 2.03
Underwriting Earnings.....	1.02	-.72	-1.41	-.35	-.25
Equity in Unearned Premium Reserve Increase*..	<u>.84</u>	<u>.18</u>	<u>.80</u>	<u>.88</u>	<u>.89</u>
	5.01	2.36	2.11	3.04	2.67
Federal and Foreign Income Tax Incurred.....	-.11	-.02	.01	-.03	-.05
Federal Income Tax Carry-Back.....	—	—	.12	.05	.09
Adjusted Earnings per Share .....	<u>4.90</u>	<u>2.34</u>	<u>2.24</u>	<u>3.06</u>	<u>2.71</u>
Capital Stock Equity.....	\$62.35	\$63.54	\$58.79	\$53.95	\$47.23

‡Consolidated results including Merchants Group.

\*Computed on basis of 40% for fire and bond lines, 35% for casualty lines.

# THE CHAIRMAN'S MESSAGE

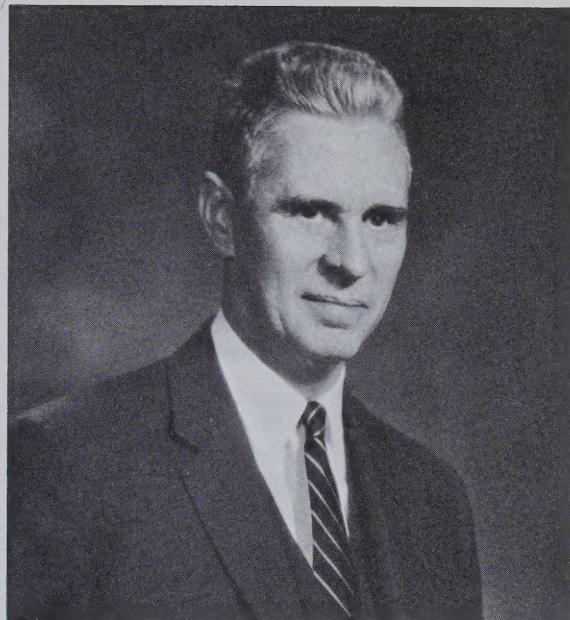
To THE STOCKHOLDERS:

The most notable accomplishment for 1966 was an increase in net writings of \$54,264,743 to a new high total of \$448,428,265, demonstrating the sales vigor of the independent insurance agents who represent us. Every major line registered an increase, indicating not only over-all growth, but also sound diversification among the many kinds of insurance which we write. Assets increased from \$970,533,317 to \$997,834,932. Although stock market indices dropped steadily during 1966, our capital funds at year end amounted to \$388,940,488.

The most gratifying aspect of the results is found in the improvement in underwriting. The automobile insurance experience has improved gradually due to rate increases which have been achieved in most states. The need for higher rates has been due to the increase in accidents, but in greater measure due to the average cost per accident. Injured persons' medical and hospital bills have risen 20% to 40% in the last few years, due to entirely justified increased costs of hospital operations. Bills for repairing damaged vehicles have also soared. Our rates had to be increased substantially in 1964, 1965 and 1966, and at present our income is in better balance with the payments we must make.

However, the recent jump in minimum wages to \$1.60 per hour by July 1, 1968, under penalty of withdrawal of Federal hospital approval under Medicare standards, will present new pressure on hospital charges and on automobile bodily injury insurance costs. In the immediate future, the income level of trained nurses will also rise. The patient fee per day must be expected to rise at least 10% in each of the next three years. These bills influence the cost level of auto bodily injury insurance, and rate adjustments will continue to be filed regularly, as data dictates.

On the favorable side, legislation by Congress on highway safety promises to have a good effect



in slowing traffic accidents. By 1969, each state will have adopted a highway safety program meeting uniform approved standards or it will lose matching funds available under the program. Of greater weight, non-conformance by a state may cause the loss of up to ten per cent of Federal-aid highway funds. The public is disturbed by rising traffic accidents and also by the mounting cost of auto insurance which follows as a natural consequence. Public support of the programs can result in reduced frequency and severity of injury to persons.

Property insurance coverages—fire, extended coverages, windstorm and homeowners are also producing better results. The reason for the improvement, as with the auto lines, is to be found in adjusted rate levels, plus the effects of shorter term policies, deductibles, expense constants and realistic minimum premiums for small policies. A more normal annual incidence of damaging storms spared us from undue losses due to extensive hurricane or tornado wreckage. Property insurance rate increases were granted in many states in 1964, 1965 and to a lesser degree in 1966. Since it takes at least three years for dwelling policies to reach a renewal date, the average annual premium of policies in force will continue to rise in 1967 as another year's renewals are processed.

Our business grows steadily, and does not ebb and flow in the same rhythm as general business. 1966 marked the twenty-eighth consecutive year of growth in our net writings. In less buoyant times, businesses and individuals perhaps tend to defer outlays for major projects or durables, but they do not fail to insure what they already own. When times are tight, uninsured losses are harder to absorb than in flourishing days. In 1958 and 1961,

recessive years, personal outlays for durable goods dropped, but spending for services rose in a normal manner.

After early 1966, the market price indices for common stocks drifted lower as the months passed. The unrealized appreciation on our securities was reduced to some degree as shown by a reduction in the Voluntary Reserve, maintained as a buffer against such a decline. The reduction of \$39,553,985 in this statement item over the year is the chief cause of the relatively static position of our total capital funds. A detailed review of investments is given on page 14. Our capital funds are more than ample to support our historical pattern of growth.

The strength of the insurance industry to meet the swelling needs of the public in the years ahead rests upon the generation of profits. A single example of the many classes of enlarged exposure the industry shall have to insure is found in the aircraft field. Each new jumbo jet, scheduled for service by 1970, will carry 360 passengers, will cost 18 to 22 million dollars, and liability to passengers on each plane may be about 33 million dollars. These craft will be followed quickly by 500 and 700 passenger conventional jets, and by airbusses and intercontinental super-sonic airships. Gross national product will soon reach one trillion dollars per year. It is imperative that we plow back earnings regularly to accumulate the means to serve the extensive opportunities ahead.

In August, the Board of Directors authorized a transfer of \$10,000,000 to the surplus of the wholly owned Fidelity and Guaranty Life Insurance Company. The increased capital funds are in keeping with the \$952,449,639 insurance in force at year end, as discussed on page 12. A description of the activities of other wholly owned (except for directors' qualifying shares) subsidiaries is provided on page 23.

We anticipate 1967 as a year favorable for continuing the profit level established in 1966, and have set goals for our branch offices which are expected to result in a growth of 7% to 10% in writings.

#### New Branch Offices

As our business in California has grown in recent years, the company has provided improved facilities to our agents. In 1962 a full branch was established at Sacramento. Mr. John D. Walker, formerly assistant manager at Seattle, was appointed manager.

In September 1966, Mr. David Williams, assistant manager at Albuquerque, New Mexico became

manager of a new full branch at San Jose. Arrangements for quarters, staffing and organization were completed by year end, with full operation to commence on January 3, 1967.

#### Dividends

A stock dividend of 10% was distributed on April 30, 1966. Other stock dividends over the past ten years were 20% in 1955, 10% in 1959 and in 1962, and 5% in 1965. During this period, cash dividends were increased from an annual rate of \$1.32 to \$1.40 in 1964, from an annual rate of \$1.20 to \$1.32 in 1963 and from an annual rate of \$1.00 to \$1.20 in 1961.

#### Federal and Foreign Taxes

While the statement shows a substantial gain, in view of an operating loss carry forward in excess of \$10,000,000 the Federal tax liability for the year will amount to approximately \$49,000.

The Canadian operations of the Company resulted in a profit for the year. It is expected that there will be foreign income taxes in the amount of approximately \$1,015,800 on Canadian profits and \$3,000 on profits in Panama.

#### Directors

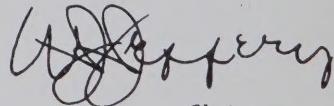
We regret to report the death of our colleague, Francis A. Davis, in the month of August. Mr. Davis was the oldest son of the late E. Asbury Davis, fourth president of the Company. Mr. Davis had served as a member of the Board of Directors since 1953.

At the May Board meeting John N. Curlett, president of McCormick & Company, Inc., and Adrian L. McCardell, president of First National Bank of Maryland, were elected directors of the Company.

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The results herein reported were made possible by the talents and industry of our 9500 agents working for common objectives with the 6400 employees and officers of the Company. The Board of Directors joins me in expressing our appreciation for their attainments.

For the Board of Directors,



Chairman

# ORGANIZATION CHANGES

## HOME OFFICE

KARL H. DOERRE, elected Vice President, Fidelity-Surety Underwriting Dept.

WILLIAM J. FLINT, elected Assistant Vice President and appointed Research-Special Projects Manager, Casualty Dept.

DAVID H. MEEHAN, elected Assistant Vice President, Eastern & Southern Divisions, Contract Dept.

JACK MOSELEY, elected Assistant Vice President and Associate Actuary, Actuarial Dept.

DONALD E. VAILE, elected Assistant Vice President, Surety Dept.

EDWARD DONALD BANGS, elected Assistant Secretary, Automobile-Compensation-Liability Dept.

DAVID M. ENGLER, elected Assistant Secretary and appointed Superintendent of the Accident & Health Dept.

WALTER J. CONATY, appointed Assistant Agency Director (Life), Eastern and Southern Divisions, Agency and Development Dept.

DONALD S. ROACHE, appointed Assistant Agency Director, Western Division, Agency & Development Dept.

CHARLES B. WATSON, appointed Assistant Agency Director, Mid-western Division, Agency & Development Dept.

## FIELD

RICHARD H. BENNETT, appointed Assistant Manager at Northern New Jersey.

GEORGE C. BOTTOMS, appointed Associate Manager at Portland, Oregon.

DOUGLAS D. BROWN, appointed Assistant Manager at Salt Lake City.

H. L. BRYSON, appointed Assistant Manager at Miami.

LOGAN A. HIPP, JR., appointed Assistant Manager at Dallas.

BILLY R. HOOD, appointed Assistant Manager at Des Moines.

KENNETH G. KIRKPATRICK, appointed Assistant Manager at Chicago.

RICHARD C. MARKHAM, appointed Assistant Manager at Buffalo.

ROBERT J. MESHAD, appointed Assistant Manager at Birmingham.

GILLES MONETTE, appointed Assistant Manager at Montreal.

PAUL E. MURPHY, appointed Manager at Boston.

K. COWART PTOMEY, appointed Manager at Lansing.

RICHARD F. ROMIG, appointed Assistant Manager at Pittsburgh.

A. GENE SYKES, appointed Assistant Manager at San Antonio.

G. ALLEN THOMPSON, appointed Assistant Manager at Detroit.

DAVID S. WILLIAMS, appointed Manager at San Jose, California.

## Retirements

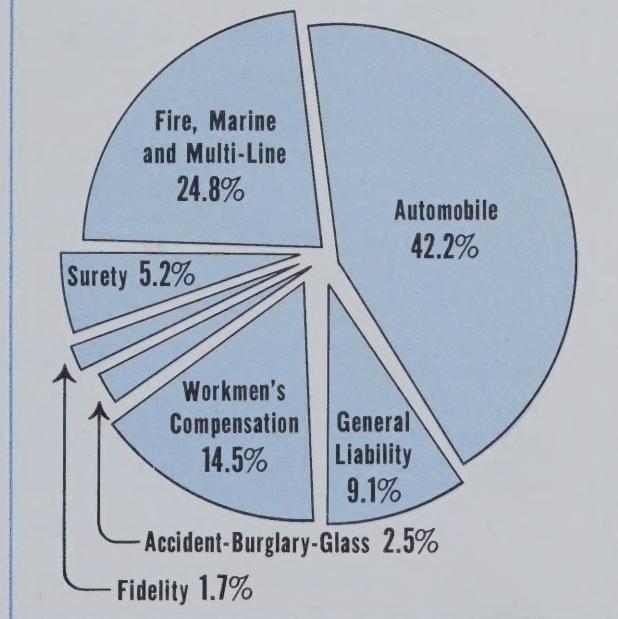
WILLIAM P. LENAHAN, Manager at Boston.

## Deaths

EDWIN G. HUNDLEY, Vice President, Fidelity-Surety Department.

LESLIE R. WILLSON, Manager at Lansing, Michigan.

## NET PREMIUMS WRITTEN



# OPERATIONS

## **Underwriting**

	<b>1966</b>	<b>1965†</b>
PREMIUMS WRITTEN . . . . .	\$478,695,201	\$419,951,505
Reinsurance Ceded . . . . .	<u>30,266,936</u>	<u>25,787,983</u>
NET PREMIUMS WRITTEN . . . . .	<u>\$448,428,265</u>	<u>\$394,163,522</u>
Increase in Unearned Premium Reserve . . . . .	<u>19,135,724</u>	<u>4,591,828</u>
NET PREMIUMS EARNED . . . . .	<u>..... \$429,292,541</u>	<u>\$389,571,694</u>
Claims and Adjustment Expenses Incurred . . . . .	<u>\$271,418,638</u>	<u>\$259,328,463</u>
Operating Expenses Incurred . . . . .	<u>134,781,317</u>	<u>124,411,654</u>
Premium Taxes, Licenses, Fees Incurred . . . . .	<u>14,455,913</u>	<u>11,894,362</u>
NET EARNINGS FROM UNDERWRITING . . . . .	<u>..... \$ 8,636,673</u>	<u>395,634,479</u>
		\$ - 6,062,785

## **Investment**

NET EARNINGS FROM INVESTMENTS . . . . .	26,509,560	24,396,922
NET EARNINGS FROM UNDERWRITING AND INVESTMENTS . . . . .	<u>\$ 35,146,233</u>	<u>\$ 18,334,137</u>

## **Financial**

GAIN OR LOSS FROM SALE OF SECURITIES . . . . .	\$ - 48,482	\$ - 461,425
OTHER GAIN OR LOSS . . . . .	<u>82,116</u>	<u>- 218,949</u>
	<u>33,634</u>	<u>- 680,374</u>
DIVIDENDS TO POLICYHOLDERS . . . . .	<u>..... \$ 35,179,867</u>	<u>\$ 17,653,763</u>
GAIN BEFORE INCOME TAXES . . . . .	<u>405,122</u>	<u>308,469</u>
Federal and Foreign Income Taxes on Year's Operations . . . . .	<u>\$ 34,774,745</u>	<u>\$ 17,345,294</u>
NET GAIN . . . . .	<u>949,568</u>	<u>214,646</u>
	<u>\$ 33,825,177</u>	<u>\$ 17,130,648</u>

## **Surplus**

Surplus, January 1, 1966 . . . . .	\$ 184,713,512
Net Gain . . . . .	\$ 33,825,177
Paid-in Surplus—Stock Option Plan . . . . .	<u>246,658</u>
	<u>34,071,835</u>
	<u>\$218,785,347</u>
Less:	
Cash Dividends Declared . . . . .	\$ 11,519,841
Transferred to Capital—10% Stock Dividend . . . . .	3,825,864
Retirement of .8 share of Capital Stock . . . . .	38
Federal and Foreign Taxes—Prior Years . . . . .	67,378
Miscellaneous Reserve Adjustments . . . . .	<u>752,105</u>
	<u>16,165,226</u>
Surplus, December 31, 1966 . . . . .	<u>\$202,620,121</u>

## **Voluntary Reserve**

Voluntary Reserve, January 1, 1966 . . . . .	\$ 183,760,782
Depreciation in Market Value of Stocks . . . . .	\$ 37,573,863
Reserve Applicable to Stocks Sold . . . . .	<u>1,980,122</u>
Net Decrease . . . . .	<u>39,553,985</u>
Voluntary Reserve, December 31, 1966 . . . . .	<u>\$144,206,797</u>

† 1965 totals include Merchants Group.

# BALANCE SHEET

as of December 31

## Assets

	<u>1966</u>	<u>1965†</u>
Cash.....	\$ 25,956,898	\$ 19,244,528
Investments:		
Bonds.....	\$403,370,458	\$383,075,549
Stocks.....	402,914,651	417,230,690
Premiums Receivable*.....	123,808,276	115,995,523
Office Buildings—less depreciation.....	7,792,768	6,965,582
Accrued Interest.....	4,804,625	4,269,890
Other Admitted Assets.....	29,187,256	23,751,555
	<u>\$997,834,932</u>	<u>\$970,533,317</u>

## Liabilities, Capital Stock and Surplus

Reserves:			
Claims and Adjustment Expenses.....	\$255,403,830	\$233,247,641	
Premium Taxes and Operating Expenses.....	13,116,898	10,926,082	
Federal and Foreign Income Taxes.....	1,065,006	523,514	
Unearned Premiums.....	326,127,391	\$595,713,125	306,991,667
Other Liabilities.....	10,233,369	9,444,845	
Dividend Payable.....	2,947,950	2,677,354	
TOTAL LIABILITIES.....	<u>\$608,894,444</u>	<u>\$563,811,103</u>	
Capital Funds:			
Capital—\$5 par value.....	\$ 42,113,570	\$ 38,247,920	
Surplus.....	202,620,121	184,713,512	
Voluntary Reserve.....	144,206,797	183,760,782	
TOTAL CAPITAL FUNDS.....	<u>388,940,488</u>	<u>406,722,214</u>	
	<u>\$997,834,932</u>	<u>\$970,533,317</u>	

\* Excludes Premiums Receivable over 90 days old.

† 1965 totals include Merchants Group.

Securities values, except of subsidiary insurance companies, as prescribed by the National Association of Insurance Commissioners; bonds at amortized values, stocks other than those of subsidiary insurance companies at values prescribed. Stocks of subsidiary insurance companies are carried at less than book value.

Cash and securities in the amount of \$22,716,944 in the 1966 statement are deposited, as required by law.

The financial statements of the Company are audited annually by Joseph Froggatt & Co., Inc., independent public accountants, but completion of the audit follows the release of the Annual Report. The accountants' report and unqualified opinion with respect to the Company's financial statements have regularly been included in a Registration Statement or amendments thereto filed at a later date with the Securities and Exchange Commission, Washington, D.C.

# STATISTICAL SUMMARY

	<u>1966</u>	<u>1965*</u>	<u>1964*</u>	<u>1963*</u>	<u>1962</u>	<u>1961</u>
<b>Operations</b>						
Gross Premiums Written.....	\$478,695,201	419,951,505	410,432,457	397,293,978	337,285,184	326,553,763
Reinsurance Ceded.....	30,266,936	25,787,983	27,494,975	33,665,582	10,795,827	23,214,788
Net Premiums Written.....	448,428,265	394,163,522	382,937,482	363,628,396	326,489,357	303,338,975
Net Premiums Earned.....	429,292,541	389,571,694	365,316,009	344,934,456	307,317,232	289,951,865
Incurred Losses and Expenses.....	420,655,868	395,634,479	377,176,448	347,911,584	309,430,662	284,722,069
Net Profit or Loss from Underwriting	8,636,673	-6,062,785	-11,860,439	-2,977,128	-2,113,430	5,229,796
Investment Net Income.....	26,509,560	24,396,922	22,899,136	21,179,930	17,087,133	15,712,101
Other Gain or Loss.....	82,116	-218,949	-23,136	-446,245	-902,559	-150,966
Gain or Loss from Sale of Securities and Real Estate.....	-48,482	-461,425	283,150	463,227	-170,224	-73,097
Dividends to Policyholders.....	405,122	308,469	145,007	75,394	33,795	16,496
Profit before Income Taxes.....	34,774,745	17,345,294	11,153,704	18,144,390	13,867,125	20,701,338
Income Taxes.....	949,568	214,646	-86,485	225,277	331,941	1,563,949
Net Profit.....	33,825,177	17,130,648	11,240,189	17,919,113	13,535,184	19,137,389
Cash Dividends Declared.....	11,519,841	10,579,167	10,176,592	9,556,401	7,504,315	6,628,403
<b>Balance Sheet—December 31</b>						
Total Admitted Assets.....	\$997,834,932	970,533,317	913,169,694§	856,253,945	743,778,702	682,997,436
Total Reserves (Liabilities).....	595,713,125	551,688,904	535,320,616	509,802,501	446,210,700	422,720,134
Other Liabilities.....	10,233,369	9,444,845	7,816,378	7,814,542	5,557,200	6,221,161
Dividend Payable.....	2,947,950	2,677,354	2,546,235	2,393,131	2,165,429	1,663,672
Total Capital Funds.....	388,940,488	406,722,214	367,486,465	336,243,771	289,845,373†	252,392,469

\* Consolidated results including Merchants Companies.

† Includes \$58,254,000 from the exchange for stock of Merchants Fire Assurance Corporation.

§ Includes \$1,445,883 tax recoverable due to Internal Revenue Service audit.

# LINES OF INSURANCE

Figures for 1963, 1964, 1965 are consolidated

## ALL LINES COMBINED

Final 000 omitted from all figures

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$448,428	394,164	382,937	363,628	326,489	303,339
Premiums Earned.....	429,293	389,572	365,316	344,934	307,317	289,952
Losses and Adjusting Expense Incurred.....	271,419	259,328	243,223	221,078	193,535	176,581
Underwriting Expense Incurred.....	149,237	136,306	133,953	126,834	115,895	108,141
Ratios						
Losses and Adjusting Expense to Earned Premiums....	63.22%	66.57%	66.58%	64.09%	62.97%	60.90%
Underwriting Expense to Written Premiums.....	33.28	34.58	34.98	34.88	35.50	35.65
Trade Profit.....	3.50	-1.15	-1.56	1.03	1.53	3.45
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## CASUALTY

### AUTOMOBILE BODILY INJURY

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$89,627	81,034	76,258	72,161	63,203	60,197
Premiums Earned.....	86,381	79,333	74,228	70,381	61,899	59,717
Losses and Adjusting Expense Incurred..	65,153	61,912	57,372	48,845	46,392	39,969
Loss and Adjusting Expense Ratio.....	75.4%	78.0%	77.3%	69.4%	74.9%	66.9%

### AUTOMOBILE PROPERTY DAMAGE

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$39,237	34,028	31,054	29,778	27,135	26,488
Premiums Earned.....	37,255	32,774	30,368	29,562	26,857	26,706
Losses and Adjusting Expense Incurred...	27,354	26,053	23,595	21,817	18,495	17,818
Loss and Adjusting Expense Ratio.....	73.4%	79.5%	77.7%	73.8%	68.9%	66.7%

### AUTOMOBILE PHYSICAL DAMAGE

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$60,674	52,291	46,222	42,050	35,274	32,732
Premiums Earned.....	57,480	49,792	44,285	40,367	34,176	32,525
Losses and Adjusting Expense Incurred...	32,242	31,916	29,253	25,089	20,475	18,159
Loss and Adjusting Expense Ratio.....	56.1%	64.1%	66.1%	62.2%	59.9%	55.8%

OUR OVERALL AUTOMOBILE experience was 69% or 5 points better than 1965. The rate programs for 1966 repeat the pattern of 1965, so we may expect a slight improvement during the coming year. The majority of insurance commissioners recognize the necessity of higher rates due to increased congestion on highways and higher medical costs, together with increasing automobile repair costs. Where rates are revised annually, modest increases are accepted by the public and the market remains stable. In five or six areas failure to approve needed rate increases for insurance companies annually resulted in a restrictive market and a sharp increase in assigned risks.

The Traffic Safety Act of 1966 and the Highway Safety Act of 1966 enacted by Congress will require action by automobile manufacturers and tighter state control which, in time, will be beneficial. The

Insurance Institute for Highway Safety is active in these areas. Safe driving, however, cannot be attained by legislation or mechanical safeguards. Believing that good driving habits are the most important factor, the Company has cooperated with the National Safety Council program for driver improvement. All employees who drive Company cars are required to take this course. Many safety representatives have qualified as instructors. These men have made themselves available for community instruction on defensive driving. Since much of this work is done in the evening hours, they are to be commended for their efforts.

Our Special Automobile policy, which involves machine processing, is now showing a profit. Written premiums in 1966 increased 49% to \$7,443,070.

## GENERAL LIABILITY

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$40,751	38,507	38,759	37,327	38,457	37,397
Premiums Earned.....	39,764	39,041	38,628	37,963	38,237	37,378
Losses and Adjusting Expense Incurred...	18,981	19,819	19,323	20,311	19,866	19,378
Loss and Adjusting Expense Ratio.....	47.7%	50.8%	50.0%	53.5%	52.0%	51.8%

APPARENT LACK OF GROWTH in the last three years of this profitable line is due primarily to the shift of much general liability business to commercial multi-line package programs. It is estimated that the general liability portion of the multi-line policies for 1966 showed an increase of 18% and a written premium of approximately \$7,500,000.

Effective October 1, revised general liability policy forms were introduced. While minor modifications are made periodically, this is the first general revision of the entire portfolio that has taken place in the last ten years. The revision

primarily clarifies intent of coverage but, in many instances, will require a reappraisal of the insured's liability program. This should be beneficial to all concerned as changing conditions make periodic reviews of liability coverages essential.

Competition in all types of industry today tends to create lower profit margins; therefore, an uninsured general liability loss can be disastrous. Producers are continually urged to sell complete general liability coverage for all exposures of an account.

## WORKMEN'S COMPENSATION

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$64,849	56,468	53,434	49,054	48,422	46,657
Premiums Earned.....	62,760	55,744	52,593	50,222	47,823	46,183
Losses and Adjusting Expense Incurred...	45,117	38,108	38,140	32,731	33,748	32,939
Loss and Adjusting Expense Ratio.....	71.9%	68.4%	72.5%	65.2%	70.6%	71.3%

EFFORTS TO DEVELOP this relatively stable line of insurance during the past year have been successful with an increase of 15% in premiums written. Since this is a relatively low expense line, the loss ratio is satisfactory.

The experience developed in each state is affected in marked degree by the state rate level and the quality of state administration of the program. The losses paid will also vary greatly depending on the terms of the individual state Workmen's Compensation Law. Since all these factors may change over the years and none are controllable, good geographical distribution is most necessary. Our

workmen's compensation business is well spread, as in no state do we have a volume exceeding more than 10% of our total premium writings in this line.

While injuries involving death and permanent disability are costly, they represent less than 1.1% of the accidents that occur and approximately 8.5% of the total dollar loss. Control of minor claims and medical costs by efficient safety engineering programs carried on by our insureds is quickly reflected in their own premium costs, and also in our Company experience.

## ACCIDENT-BURGLARY-GLASS

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$11,037	7,957	7,814	8,137	8,255	8,607
Premiums Earned.....	10,258	7,953	7,793	8,052	8,264	8,575
Losses and Adjusting Expense Incurred...	6,518	4,120	4,285	4,139	4,211	4,958
Loss and Adjusting Expense Ratio.....	63.5%	51.8%	55.0%	51.4%	51.0%	57.8%

BURGLARY AND GLASS INSURANCE show little change in exposures or experience sustained. The combined efforts of law enforcement officers, manufacturers of protective devices and underwriters are holding their own against rising crime and vandalism. Since practically every major crime begins with a stolen automobile, the work done by the National Automobile Theft Association, a

national organization supported entirely by insurance companies, is impressive. Failure of citizens to lock their cars may result not only in the loss of the car, but also in their becoming involuntary accomplices in a major crime.

In the fall, Accident and Health lines were separated from Burglary and Glass in order to develop these specialized lines more effectively.

## FIDELITY-SURETY

### FIDELITY

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$ 7,586	5,976	7,736	8,827	6,149	6,827
Premiums Earned.....	6,425	7,003	7,326	7,256	6,998	6,970
Losses and Adjusting Expense Incurred...	2,994	2,593	3,195	3,480	2,705	3,147
Loss and Adjusting Expense Ratio.....	46.6%	37.0%	43.6%	48.0%	38.7%	45.2%

ESTIMATES OF the annual loss sustained by American business as a result of employee dishonesty range from a low figure of \$500 million to a staggering \$3 billion. The actual amount is difficult to determine. Only about fifteen to twenty percent of business firms carry fidelity insurance to protect themselves against loss by employee fraud and embezzlement. We are continuing our efforts to increase the sale of fidelity coverage by impressing upon business the inherent risk it faces in the form of employee dishonesty.

The year 1966 was the high point in the past three-year cycle for premiums from financial insti-

tutions and mercantile establishments. A comparison of these writings in 1966 with those in the peak year of the previous cycle reveals an increase in volume of approximately seven percent. This increase is in addition to the fidelity premiums developed as part of the multi-line package policies, which include fidelity coverage. Underwriting standards have not been sacrificed to achieve this growth and a reasonable profit has been realized.

We are far from the saturation point in the fidelity and forgery lines and are looking to future growth.

## SURETY

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$23,505	21,775	19,795	18,651	16,708	15,685
Premiums Earned.....	22,556	20,026	19,084	17,817	16,141	15,289
Losses and Adjusting Expense Incurred...	9,259	6,089	5,398	10,096	8,011	5,287
Loss and Adjusting Expense Ratio.....	41.0%	30.4%	28.3%	56.7%	49.6%	34.6%

THE PREMIUM INCOME developed by contract bonds represents the largest portion of the surety volume. Contract bond production in 1966 reached a record high of \$14,667,212, an increase of 14% over 1965. Excessive competition within the construction industry continues to be an adverse factor, resulting in a "profitless prosperity." In 1966, there were additional problems brought about by cutbacks in federal expenditures, a restrictive money market with resulting rising interest rates, and increased costs of labor and material. These factors have had a marked effect on the overall experience of the surety business. We are continuing to meet the underwriting challenge resulting from such conditions by revising our underwriting requirements. The high level of per-

formance of our agents and our field and home office personnel in this regard is most gratifying.

Because of several large losses, the year 1966 did not generate the profit of either of the two immediately preceding years. It should be noted, however, that an accurate appraisal of contract bond production and underwriting must include results of more than one year. The combined experience of the last three years produced a net profit which is far above the industry average.

Efforts in the future, as in the past, will be directed toward the application of sound underwriting principles, and the assistance of our agents in the development and growth of their surety writings.

## FIRE

### FIRE, MARINE and MULTI-LINE

	1966	1965	1964	1963	1962	1961
Premiums Written.....	\$111,162	96,128	101,865	97,643	82,886	68,747
Premiums Earned.....	106,414	97,906	91,011	83,314	66,922	56,607
Losses and Adjusting Expense Incurred...	63,801	68,718	62,662	54,570	39,632	34,925
Loss and Adjusting Expense Ratio.....	60.0%	70.2%	68.9%	65.5%	59.2%	61.7%

THE ABSENCE OF major hurricanes and a leveling of the rising curve of fire losses, coupled with the effect of some rate increases, made 1966 the best year for property insurance since 1962. Continued efforts to adjust rate levels for particular areas and classes of business are being actively pursued.

Package policies developed by the industry continue their growth. The Company has been working for several years to design a single program of insurance that could include all major coverages an account requires. The U. S. F. & G. Master Insurance Program is the result. Introduced in the Summer of 1966, the new program has been enthusiastically received.

Following several years of unfavorable results due to abnormal fire, wind, and other types of claims, the market for certain forms of insurance became restricted, particularly in depressed metropolitan areas. The Company, together with others in the industry, worked with public officials to develop special rating plans to provide coverage for responsible property owners who could not secure insurance through normal channels. These plans generally involve inspection and surcharges for deficiencies, and the Company has cooperated with the authorities by assuming business under these plans.

# FIDELITY AND GUARANTY LIFE INSURANCE COMPANY

ORDINARY LIFE INSURANCE in force on December 31, 1966 was \$560,260,502 compared to \$446,435,861 the year before. During the year, group life insurance in force increased \$64,235,442 to \$392,189,137. Included in this group in force figure is \$79,839,000 in force on the Federal Employees' Group Life Policy and \$69,047,200 in force on the Servicemen's Group Life Policy. Assets rose from \$14,125,331 to \$25,238,458. This net increase in assets of \$11,113,-127 is the result of these factors: (a) a contribution of \$10,000,000 to the surplus of the Company by United States Fidelity and Guaranty Company, its sole stockholder, in the latter part of 1966, (b) an increase of \$730,398 from investments, (c) an increase of \$1,867,588 resulting from the ordinary and group life operation and (d) a decrease of \$1,484,859 resulting from accident and health business including the transfer of \$1,451,497 of group accident and health reserves from the Life Company to United States Fidelity and Guaranty Company in connection with the 100% reinsurance of the Life Company's accident and health business by United States Fidelity and Guaranty Company as of July 1, 1966.

The annual statement operating loss of \$247,433 is the net of a loss of \$178,096 in the ordinary life operation, down from \$822,559 in 1965, a gain of \$103,727 in the group life operation, up from \$33,925 in 1965, and a loss in the group accident and health operation of \$173,064 for the six month period prior to the 100% reinsurance of this business by United States Fidelity and Guaranty Company effective July 1, 1966.

As anticipated, the profit from the ordinary life insurance sold in past years is beginning to equalize the annual statement deficit caused by the new ordinary life policies being sold. Whether the profits from the older ordinary in force will more than offset the annual statement deficit caused by new ordinary sales in 1967 and produce a net annual statement profit in that year depends upon the amount of the new sales in 1967.

The increase of \$113,824,641 in the ordinary life insurance in force and the increase of \$64,235,442 in the group life insurance in force is a measure of the growth of the Life Company during 1966. The premium income from the ordinary life insurance in force increased \$1,330,885 over 1965.

The net cost of securities added to the investment portfolio in 1966 was \$10,719,664. These funds were provided by the contribution to surplus and by the year's operations which produced a cash flow of over \$2,064,766. Most of these funds were placed in long-term corporate bonds providing an average yield of 5.79%. At the end of the year the statement value of the portfolio stood at \$23,160,454 compared with \$12,432,215 a year earlier. Investment income in 1966 was \$724,870 compared with \$552,679 in 1965. Investment income in 1967 can be expected to show a marked increase over that of 1966 due to additional funds invested in 1966, largely in the last quarter.

The distribution of Invested Funds at year end was as follows:

	Statement Value	%
Bonds		
U. S. Government & Commercial Paper .....	\$ 2,725,878.65	11.8%
Railroad & Equipment .....	4,161,625.51	18.0
Public Utility .....	7,585,084.65	32.7
Industrial, Foreign Gov't. & Misc.	7,865,926.12	34.0
Total Bonds .....	<u>\$22,338,514.93</u>	96.5%
Mortgage .....	338,746.68	1.4
Stocks .....	483,192.00	2.1
Total .....	<u>\$23,160,453.61</u>	100.0%

## GROWTH OF LIFE INSURANCE IN FORCE

	Permanent	Term	Group	Total
1960	\$ 219,000	\$ 248,675	\$.....	\$ 467,675
1961	8,332,424	16,738,888	52,029,128	77,100,440
1962	27,229,897	59,024,506	75,524,369	161,778,772
1963	55,260,248	115,340,298	97,460,770	268,061,316
1964	83,226,060	226,174,513	173,317,253	482,717,826
1965	110,749,469	335,686,392	327,953,695	774,389,556
1966	145,677,164	414,583,338	392,189,137	952,449,639

# FIDELITY AND GUARANTY LIFE INSURANCE COMPANY

## Operations

	<u>1966</u>	<u>1965</u>
<b>Income Earned</b>		
Insurance Premiums . . . . .	\$ 9,883,955	\$ 10,478,474
Net Investment Income . . . . .	724,870	552,679
Policy Proceeds Left with Company . . . . .	143,241	86,599
<b>TOTAL INCOME . . . . .</b>	<b>\$ 10,752,066</b>	<b>\$ 11,117,752</b>
<b>Benefits and Expenses Incurred</b>		
Death Benefits Paid: Ordinary . . . . .	\$ 732,732	\$ 626,439
Group . . . . .	1,322,986	1,458,025
Accident and Health Benefits Paid . . . . .	1,818,941	2,966,779
Other Benefits . . . . .	139,117	94,744
Reserve Increases . . . . .	2,483,377	2,822,346
Expenses . . . . .	4,413,800	4,539,658
<b>TOTAL BENEFITS AND EXPENSES . . . . .</b>	<b>\$ 10,910,953</b>	<b>\$ 12,507,991</b>
Net Operating Gain or Loss before Policyholder Dividends . . . . .	\$ -158,887	\$ -1,390,239
Dividends to Life Policyholders . . . . .	88,546	70,214
<b>Net Operating Gain or Loss after Policyholder Dividends . . . . .</b>	<b>\$ -247,433</b>	<b>\$ -1,460,453</b>

## Balance Sheet

*as of December 31*

	<u>1966</u>	<u>1965</u>
<b>Assets</b>		
Cash . . . . .	\$ 313,403	\$ 312,786
Investments.*		
Bonds . . . . .	\$ 22,338,515	\$ 11,598,867
Common Stocks . . . . .	483,192	483,348
Mortgage Loans . . . . .	338,747	23,160,454
Outstanding and Deferred Premiums . . . . .	1,190,871	1,146,338
Accrued Interest . . . . .	298,806	142,137
Other Assets . . . . .	274,924	91,855
<b>TOTAL ASSETS . . . . .</b>	<b>\$ 25,238,458</b>	<b>\$ 14,125,331</b>
<b>Liabilities and Net Worth</b>		
Policyholders' Reserves and Funds . . . . .	\$ 8,589,979	\$ 6,569,551
Reserves for Claims . . . . .	431,924	1,125,705
Reserves for Taxes, Expenses and Other Liabilities . . . . .	506,843	473,051
Mandatory Security Valuation Reserve . . . . .	355,100	323,567
<b>TOTAL LIABILITIES . . . . .</b>	<b>\$ 9,883,846</b>	<b>\$ 8,491,874</b>
Reserve for General Contingencies . . . . .	\$ 87,480	\$ 330,673
Capital . . . . .	1,000,000	1,000,000
Surplus . . . . .	14,267,132	4,302,784
Policyholders' Surplus . . . . .	15,354,612	5,633,457
<b>TOTAL LIABILITIES AND NET WORTH . . . . .</b>	<b>\$ 25,238,458</b>	<b>\$ 14,125,331</b>

\*Securities values as prescribed by the National Association of Insurance Commissioners; bonds and mortgage loans at amortized values, stocks at values prescribed.

# INVESTMENTS

THE LARGEST CASH FLOW in the Company's history provided investible funds of \$55,672,107 during 1966. Of this sum \$8,597,337 was used for the acquisition of common stocks on a monthly basis in continuation of a policy that has been in effect for the past 13 years, and the balance was placed primarily in tax-exempt bonds. The program which was begun in the fall of 1964 of shifting \$60 million of bonds into common stocks over 20 months was completed in March of 1966 and resulted, during the first quarter, in an additional \$9 million of common stock purchases and an equal amount of bond sales.

The cost of all securities acquired during the year was \$204,650,925. Of this amount \$155,799,219 was provided by sales, maturities and redemptions, and \$48,851,706 was generated by the year's operations. There was depreciation of \$37,580,253 in stock values during 1966 as compared with appreciation of \$35,467,865 during 1965. Purchases and adjustments less depreciation in values resulted in an increase in the statement values of the portfolio by \$ 5,978,870 to \$806,285,109.

The cash available for investment and the net additions to the portfolio for the past three years have been as follows: (000's omitted)

	<u>1966</u>	<u>1965</u>	<u>1964</u>
CASH FLOW.....	\$55,672	\$25,670	\$13,958
INVESTMENTS			
Bonds.....	22,000	-12,776	-9,197
Preferred Stocks.....	-823	-1,988	-1,681
Common Stocks.....	17,675	43,300	23,298
Subsidiaries.....	10,000	0	0
Total.....	\$48,852	\$28,536	\$12,420

Over the past ten years the funds available for new investments amounted to \$285,629,323. Of this sum \$23,300,000 arose from the sale of additional stock and the balance was produced internally. In this period \$287,052,045 of additional investments were made and added to the assets of the Company.

The strong economy, the war in Vietnam and efforts to combat inflation by monetary controls resulted in tight money and high interest rates throughout most of 1966. In this environment bond yields reached their highest levels in almost 40 years. In spite of the bond sales in the first quarter to complete the reinvestment program mentioned above and later sales of about \$3 million to provide part of the contribution to the capital of Fidelity & Guaranty Life Insurance Company,

there was an increase in the par value of the bond portfolio by \$21,454,500. In continuation of the policy of recent years, most of the acquisitions were long-term tax-exempts. In 1966 these issues carried historically high interest rates. The average yield received on tax-exempt bonds purchased during 1966 was 4.32% versus 3.71% in 1965 and 3.87% in 1964. Most of the bonds sold were short- and medium-term tax-exempts providing low yields.

Concern over the near-term level of business activity, combined with high interest rates, resulted in declining stock prices for the first nine months of 1966, after which there was a modest recovery. The Company's long established policy of buying stocks on a monthly basis enabled it to participate at all levels of the market. Stock purchases exceeded sales by \$17,675,161 which sales included \$2,824,493 to provide part of the funds contributed to the life insurance company. In the stock program, an attempt was made to purchase equities of companies which are growing at a faster rate than the overall economy. Of the new funds available for stocks 16.3% was invested in the utility industry, with the preponderance directed toward the electric power companies, although further investments were made in independent telephone and intra-state gas companies. Other relatively large investments were made in the electronics industry which accounted for 16.9% of new funds, oils 11.8%, chemicals 11.7%, office equipment 8.0%, rails 11.5%, drugs 8.5% and banks 6.6%.

Investment income amounted to \$26,509,560 in 1966, an increase of 8.7% over 1965. A detailed comparison follows: (000's omitted)

	<u>1966</u>	<u>1965</u>
U. S. F. & G.		
Bond Interest.....	\$14,550	56.0%
Preferred Dividends.....	13	59
Common Dividends.....	11,436	44.0
Sub Total.....	\$25,999	100.0%
Rents and Other Income		
Less Expense and De- preciation.....	511	620
Net Investment Earnings.	\$26,510	\$24,397

The figures above do not include investment income of Fidelity & Guaranty Insurance Underwriters, Inc. of \$259,099, Fidelity Insurance Company of Canada of \$180,253 and Fidelity & Guaranty Life Insurance Company of \$724,870.

# INVESTMENTS

December 31, 1966

## Distribution of Invested Funds

### Statement Values

#### Bonds

U. S. Government.....	\$ 28,598,623	3.7%
New Housing Authority.....	36,806,844	4.7
State and Local Government.....	327,330,112	42.0
Canadian and Miscellaneous.....	10,634,879	1.4
	<hr/>	
	\$403,370,458	51.8%

#### Stocks

Railroad.....	\$ 15,231,060	2.0%
Public Utility.....	89,431,418	11.5
Bank and Financial.....	31,152,090	4.0
Canadian Trust Fund.....	2,898,400	0.4
Industrial.....	236,343,924	30.3
	<hr/>	
	\$375,056,892	48.2%
Total (excluding subsidiaries).....	\$778,427,350	100.0%

#### Subsidiaries.....

TOTAL BONDS AND STOCKS..... \$ 27,857,759

#### Bonds

##### United States Government

	Par Value
Treasury Bills, 2/9/67.....	\$ 4,000,000
Treasury Bills, 2/16/67.....	3,000,000
Treasury Bills, 2/23/67.....	2,250,000
Treasury Bonds, 3 5/8%, 11/15/67.....	10,000,000
Treasury Bonds, 3 7/8%, 11/15/68.....	5,000,000
Treasury Bonds, 2 1/2%, 12/15/68.....	5,000,000
	<hr/> \$ 29,250,000

##### New Housing Authority

Atlanta, Ga., 2 3/8%, 1980-81, 1983.....	\$ 350,000
Augusta, Ga., 3 1/2%, 1988-90.....	345,000
Baltimore, Md., 2 3/8%, 2 1/2%, 3 1/2%, 1973, 1983, 2000-02.....	900,000
Birmingham, Ala., 3 1/4%, 2000-02.....	385,000
Boston, Mass., 2 3/8%, 1972, 1979, 1982, 1985-86.....	1,295,000
Chicago, Ill., 2 3/8%, 2 1/2%, 3 1/2%, 3 1/4%, 3 5/8%, 3 7/8%, 1970, 1974-75, 1977-78, 1982-87, 1989, 1993, 2001-03.....	6,025,000
Columbus, Miss., 3 7/8%, 1987-89.....	300,000
Danville, Ky., 3 5/8%, 2002-06.....	955,000
Detroit, Mich., 2 3/8%, 2 1/2%, 1976, 1987-88.....	1,150,000
Durham, N. C., 3 1/4%, 2003-05.....	750,000
Hawaii, 3 1/2%, 1980-98.....	1,150,000
Inkster, Mich., 3 1/4%, 1991-98.....	515,000
Jersey City, N. J., 2 3/8%, 1986.....	100,000
Kansas City, Mo., 2 1/2%, 3 1/2%, 1980-81, 1984, 1986-87.....	835,000
Los Angeles, Cal., 2 3/8%, 2 1/2%, 1971, 1983-84.....	450,000
McComb City, Miss., 3 5/8%, 1988-90.....	345,000
Miami, Fla., 2 5/8%, 3 5/8%, 1986-88.....	565,000
Minneapolis, Minn., 3 7/8% 1967.....	120,000
Mississippi Regional No. VIII, Miss., 3 1/2%, 1994-98.....	500,000
Mobile, Ala., 3 1/2%, 1989-90.....	300,000
Montgomery, Ala., 3 7/8%, 1992-93.....	315,000

#### Par Value

Newark, N. J., 2 1/2%, 2 3/4%, 3 1/8%, 3 7/8%, 1983, 1985-88, 1998-2000.....	\$ 3,845,000
New Orleans, La., 2 1/2%, 3 1/4%, 1983, 1985-91, 1995-96.....	3,472,000
New York City, N. Y., 2 3/8%, 2 5/8%, 2 7/8%, 3 3/8%, 3 7/8%, 1969-70, 1977-78, 1981-82, 1984, 1986-91, 1998, 2000.....	6,905,000
Paterson, N. J., 3 1/2%, 3 7/8%, 1993, 1995-2001.....	980,000
Providence, R. I., 2 1/2%, 1985.....	450,000
Puerto Rico, 2 1/8%, 3%, 3 1/8%, 1979, 1981, 1988-89.....	1,340,000
Red Cloud, Neb., 3 1/4%, 1994-2001.....	1,000,000
St. Clair County, Ill., 3%, 1975-76, 1980-81.....	1,000,000
San Antonio, Tex., 3 1/8%, 1989-90.....	390,000
Savannah, Ga., 3 1/4%, 1988-90.....	355,000
Tampa, Fla., 3 1/4%, 2001-05.....	1,000,000
Trumann, Ark., 3 1/4%, 1998, 2000, 2003.....	510,000
	<hr/> \$ 38,897,000

#### State and Local Government

##### GENERAL OBLIGATION

Aiken County School District, S. C., 3 1/4%, 4.40%, 1978-86.....	\$ 2,575,000
Anchorage Independent School District, Alas., 4%, 1981.....	450,000
Anne Arundel County, Md., 3.10%, 1979-81.....	500,000
Atlanta, Ga., 2%, 1971-72.....	500,000
Baltimore, Md., 2 1/2%, 3 1/2%, 1971, 1980.....	200,000
Baltimore County, Md., 2 1/2%, 1967-68, 1970.....	400,000
Battle Creek, Mich., 3 1/2%, 1985-90.....	1,085,000
Boston Metropolitan District, Mass., 3%, 1988.....	750,000
California, 2%, 2 1/4%, 2 3/4%, 3%, 3 1/4%, 3.40%, 3 3/4%, 3 3/4%, 3.90%, 4%, 4.20%, 1970-71, 1973-86, 1990, 2004, 2008, 2011-12.....	20,500,000
Canby Independent School District #891, Minn., 4.10%, 1983-90.....	295,000
Cedar City, Utah, 4%, 4 1/4%, 1978-90.....	324,000
Charleston, S. C., 3.10%, 1984-85.....	200,000

## INVESTMENTS *Continued*

### Bonds—Continued

	<i>Par Value</i>	<i>Par Value</i>
Cheyenne, Wyo., 3.60%, 1989.....	\$ 500,000	
Cincinnati, Ohio, 2½%, 3½%, 1973, 1984.....	600,000	
Clear Lake City Water Authority, Tex., 3.80%, 1989.....	200,000	
Clemson, S. C., 3.60%, 3.75%, 1975–93.....	323,000	
Cleveland, Ohio, 2½%, 3½%, 1970, 1973.....	300,000	
Columbus, Ohio, 3½%, 1969, 1975–77.....	500,000	
Connecticut, 2½%, 2½%, 3.10%, 3½%, 3½%, 1973, 1977–80, 1983–84, 1987.....	2,200,000	
Connecticut Turnpike, 3½%, 1983, 1985.....	500,000	
Crossville, Tenn., 4.10%, 1980–85.....	315,000	
Danville, Va., 3.20%, 1981–83.....	350,000	
Dayton City School District, Ohio, 2½%, 1975.....	100,000	
Dearborn School District #8, Mich., 43½%, 1974–76.....	250,000	
DeKalb County School District, Ga., 4%, 1982, 1986.....	490,000	
Delaware, 1.90%, 2¼%, 1970, 1972–73.....	600,000	
Denver School District #1, Colo., 2%, 1970.....	500,000	
Dickinson, N. D., 3.70%, 3.80%, 1972–79.....	220,000	
Easley-Central Water District, S. C., 3.70%, 3.90%, 1991–97.....	420,000	
East Bay Municipal Utility District, Cal., 3½%, 1987.....	500,000	
East Orange County Water District, Cal., 3.80%, 3.85%, 1985–88.....	300,000	
Elgin Sanitary District, Ill., 3.60%, 1978–80.....	765,000	
Fairbanks, Alas., 4½%, 1973–79.....	490,000	
Fargo, N. D., 4%, 4.10%, 4.20%, 1973–74, 1976, 1978–81, 1983–86.....	1,010,000	
Fort Collins-Loveland Water District, Colo., 4½%, 1973–82.....	550,000	
Fresno, Cal., 3.60%, 1987–91.....	500,000	
Fulton County, Ga., 3½%, 1986–87.....	1,000,000	
Golden Valley, Minn., 3.60%, 3.70%, 1981–84.....	420,000	
Grand Forks, N. D., 4½%, 1971–81.....	300,000	
Greenville-Spartanburg Airport District, S. C., 3.60%, 1987–91.....	400,000	
Guilford County, N. C., 3½%, 3½%, 1976–79, 1982.....	1,375,000	
Hartford County Metropolitan District, Conn., 3½%, 3½%, 1975–78, 1985–89.....	570,000	
Havre de Grace, Md., 4½%, 1993–97.....	300,000	
Hawaii, 3½%, 1987.....	450,000	
Humboldt Bay Municipal Water District, Cal., 4.10%, 1989–90, 1994–97.....	1,000,000	
Huron Independent School District #4, S. D., 3½%, 1984–85.....	260,000	
Illinois, 1¾%, 1972.....	100,000	
Indianapolis Flood Control District, Ind., 3½%, 1994.....	500,000	
Indianapolis Sanitary District, Ind., 2½%, 1984–86.....	550,000	
Indianapolis School City, Ind., 3½%, 1977–80.....	600,000	
Lake Park Independent School District #24, Minn., 4.30%, 4.40%, 1984–90.....	140,000	
Laramie, Wyo., 3½%, 1990–91, 1993.....	500,000	
Laurel, Mont., 3.60%, 1972–81.....	150,000	
Lincoln Park School District, Mich., 5%, 1970.....	300,000	
Lincoln Union High School District, Cal., 4%, 4½%, 1967–80.....	140,000	
Linda County Water District, Cal., 4½%, 1984–90.....	300,000	
Litchfield, Minn., 4.10%, 1971–80.....	275,000	
Los Angeles County, Cal., 4%, 1974.....	200,000	
Los Angeles County Flood Control District, Cal., 4%, 1980.....	400,000	
Louisiana, Commissioners of the Port of New Orleans, 3½%, 1988, 1991–93, 1996.....	600,000	
Maine, 3½%, 1997–2004.....	1,860,000	
Maryland-National Capital Park & Planning Commission, Md., 4%, 4.10%, 4.25%, 1977–84.....	605,000	
Massachusetts, 2%, 2.10%, 2.30%, 3%, 3½%, 3½%, 3.70%, 1968, 1970, 1972–75, 1982, 1985, 1987–89, 1994–99.....	4,688,000	
Massachusetts Housing Authority, 2½%, 1970–71, 1982.....	1,000,000	
Mayville, N. D., 4.10%, 4.20%, 1974–83.....	300,000	
Michigan, 1¾%, 1970.....	1,000,000	
Milk River Drainage District, Mich., 4%, 1985–86.....	500,000	
Minot, N. D., 3.30%, 3.70%, 3.90%, 1973–80.....	205,000	
Mississippi, 3½%, 3½%, 3½%, 4.40%, 1968, 1974–75, 1980, 1996–2001.....	4,375,000	
Missouri, 2½%, 1975.....	100,000	
Monterey County Flood Control & Water Conservation Dis- trict, Zone 2-A, Cal., 3.70%, 1999–2000.....	500,000	
		\$ 500,000
Montgomery County, Md., 3½%, 1967–69.....		115,000
Moulton-Niguel Water District, Cal., Improvement District #1, 4½%, 1990–91, 1993.....		1,280,000
New Hampshire, 2½%, 2.60%, 3½%, 1981–84, 1986–88.....		2,400,000
New Jersey, 2½%, 3%, 3.20%, 3½%, 3.40%, 4%, 1967, 1972–74, 1976–77, 1991.....		1,796,000
New Jersey Highway Authority, Garden State Parkway, 2½%, 2½%, 3%, 1970, 1975–79, 1983–85.....		6,112,000
New York, 2½%, 2½%, 3%, 1967, 1973–77, 1986, 1989–92, 2000, 2002–03, 2007.....		250,000
New York City, N. Y., 3%, 1977.....		100,000
New York City Housing Authority, N. Y., 2%, 1973.....		3,900,000
New York State Thruway Authority, 2½%, 2.60%, 2.70%, 2½%, 3.20%, 3½%, 1970–73, 1975–76, 1982, 1986, 1988, 1991–92.....		700,000
North Carolina, 2%, 3½%, 1968, 1978.....		200,000
North Table Mountain Water & Sanitation District, Colo., 4½%, 1977–81.....		300,000
Oakland, Md., 4%, 4.10%, 4.20%, 1977–91.....		500,000
Oklahoma, 3.30%, 1984.....		200,000
Orange County Flood Control District, Cal., 3½%, 1980–84.....		750,000
Orange County Sanitation District #12, Cal., 4½%, 1990–91, 1993, 1995.....		185,000
Oregon, 3.40%, 1978.....		500,000
Philadelphia, Pa., 4½%, 1967, 1974–75.....		400,000
Puerto Rico, 4%, 4.20%, 1980–81, 1991.....		1,750,000
Rhode Island Turnpike & Bridge Authority, 4%, 2007–2008.....		2,000,000
Richland-Lexington Airport District, S. C., 3.20%, 1980–82.....		525,000
St. Louis, Mo., 3%, 1972.....		200,000
Saginaw-Midland Municipal Water Supply Corp., Mich., 3.60%, 1997.....		500,000
Salt Lake County Conservancy District, Utah, 3½%, 3.80%, 1993–2002.....		290,000
Salt River Project A. I. & P. District, Ariz., 3½%, 4½%, 1986, 1988.....		1,100,000
Sandy City, Utah, 4.60%, 1974–90.....		383,000
San Francisco Bay Area Rapid Transit District, Cal., 3½%, 1996.....		1,500,000
Santa Barbara High School District, Cal., 3½%, 1987–88.....		310,000
Shakopee Independent School District #720, Minn., 3.40%, 3.50%, 1990–94.....		300,000
Sonoma County Flood Control & Water Conservation Dis- trict, Cal., 3.60%, 1992–96.....		675,000
South Carolina, 2.90%, 3.10%, 3.40%, 1974, 1976, 1979–86.....		3,015,000
South St. Paul Special School District #6, Minn., 3.90%, 4%, 1976–81.....		285,000
Southwest Metropolitan Water & Sanitation District, Colo., 3½%–6%, 1982–85.....		750,000
Spenard Public Utility District #1, Alas., 5%, 1971–80.....		300,000
Staples Independent School District #793, Minn., 4%, 4½%, 4.60%, 1971–89.....		250,000
Tacoma School District #10, Wash., 3½%, 1979–80.....		600,000
Tennessee, 3.30%, 3.70%, 1979–80, 1986–88.....		2,500,000
Texas, 2½%, 2½%, 2.70%, 2½%, 1974, 1977–79, 1982–83, 1985.....		2,850,000
Union County, Ark., 3½%, 4%, 1985–92.....		488,000
Utah, 2½%, 1976–77.....		850,000
Vassar Public Schools, Mich., 3½%, 1984–88.....		200,000
Wahpeton, N. D., 3.90%, 4%, 1977–81.....		275,000
Washington Suburban Sanitary District, Md., 3.70%, 5%, 1971, 1974.....		600,000
Wayne County, Mich., Ford-Victor Drainage District, 4.40%, 1989–95.....		500,000
West St. Paul Independent School District #197, Minn., 3.80%, 4%, 4.10%, 4.20%, 1967–88.....		445,000
Westminster, Colo., 3½%, 4½%, 4½%, 1967–73.....		203,000
White Plains City School District, N. Y., 3½%, 1973.....		100,000
Williamston Community School District, Mich., 4½%, 1978–85.....		220,000
Wyndmere Special School District #42, N. D., 4.40%, 1973–80.....		280,000
		\$110,457,000

# INVESTMENTS *Continued*

## Bonds—Continued

### REVENUE

	<i>Par Value</i>	<i>Par Value</i>
Alabama Education Authority, 3.40%, 3.70%, 1976–78, 1980..	\$ 2,190,000	
Alabama Public School & College Authority, Capital Improvements, 3.40%, 1985..	1,000,000	
Alaska, University of, Heating Corporation, 4½%, 1967–82..	870,000	
Alaska State Housing Authority, State Lease, Construction Project #1, 4½%, 1988–91..	1,000,000	
Alton, Ill., Sewer, 3½%, 1997–2002..	1,360,000	
Anchorage, Alas., Telephone, 3.90%, 4%, 1983–87..	1,310,000	
Arlington Memorial Hospital Foundation, Inc., Tex., First Mortgage, 4.30%, 1979–87..	500,000	
Ascension-St. James Bridge & Ferry Authority, La., Bridge, 4.45%, 2001..	1,500,000	
Ashland, Ky., Industrial Building, (Armco Steel Corp.), 4.20%, 1991..	500,000	
Atchison, Kan., Sewage, 4%, 1982–90..	202,000	
Austin, Tex., Electric Light & Power, Waterworks & Sewer System, 3.40%, 3.85%, 1982–83..	1,500,000	
Aztec, N. M., Joint Electric Light, Water & Sewer, 4½%, 1990–94..	287,000	
Belleville, Ill., Sewer Improvement, 5%, 1993–95..	450,000	
Benedum Airport Authority, W. Va., Airport Improvements, 4½%, 1967–72..	270,000	
Benton, Ark., Public Utility, 3½%, 3¾%, 1977–83..	385,000	
Bergen County Sewer Authority, N. J., 3½%, 3.60%, 3.90%, 1983, 1989–90, 1997..	750,000	
Berkeley County Public Service District, W. Va., Water, 4¾%, 1975–99..	700,000	
Bismarck, N. D., Water & Sewer, 4.20%, 1983–88..	450,000	
Bismarck Public School District #1, N. D., Bismarck Junior College Dormitory, 4%, 1986–2004..	350,000	
Bloomington, Ind., Water, 4¼%, 1993–94..	500,000	
Blytheville, Ark., Industrial Development, (Continental Oil Co.), 4.20%, 1986..	1,000,000	
Bourbon County Public Properties Corp., Ky., 4½%, 1995–2003..	500,000	
Bowling Green, Ky., Water & Sewer, 4%, 1991–93..	1,000,000	
Bradley County Industrial Development Board, Tenn., Industrial Building, (Olin Mathieson Chemical Corp.), 4.65%, 1973–81..	900,000	
Branson, Mo., Water & Sewer, 4½%, 1986–94..	352,000	
Broward County, Fla., Water & Sewer System #2, 4¾%, 2000–02..	500,000	
Broward County Board of Public Instruction, Fla., 4.40%, 1977–82..	500,000	
Brownsville, Tex., Utility System, 4½%, 4½%, 1975, 1977, 1979, 1981, 1984, 1990..	400,000	
Buckhannon, W. Va., Sewer, 4½%, 1970–94, 1996–2000..	870,000	
Butler County Community Junior College, Kan., Student Union-Dormitory System, 4½%, 1976–88..	290,000	
California, State Public Works Board, State Exposition, 5%, 1988..	3,000,000	
California, University of, Group A Housing System, 4½%, 2002–04..	500,000	
Carol Stream, Ill., Waterworks & Sewerage, 4½%, 4½%, 1991–2005..	915,000	
Carroll County, Md., Industrial, (Random House, Inc.), 4½%, 1989..	400,000	
Central Lincoln Peoples Utility District, Ore., Electric, 4.10%, 4½%, 1971, 1973–80..	505,000	
Centreville Township, Ill., Sewer, 4½%, 1997–2004..	730,000	
Chelan County P. U. D. #1, Wash., Columbia River-Rock Island Hydroelectric System, 3¾%, 2012..	2,300,000	
Chelan County P. U. D. #1, Wash., Rocky Reach Hydroelectric System, 5%, 2013..	852,000	
Cherokee, Ala., Industrial Development, (Armour & Co.), 4¾%, 1972–73..	500,000	
Chicago, Ill., Chicago-O'Hare International Airport, 4¾%, 1999..	1,937,000	

	<i>Par Value</i>
Chicago, Ill., Waterworks System, 3¾%, 1980..	\$ 850,000
Clear Lake, Iowa, Water, 4¾%, 4½%, 1967–77..	250,000
Clinton, Iowa, Industrial Development, (American Can Co.-Skelly Oil Co.), 4.20%, 1991..	1,500,000
Colorado State University, 4¾%, 1967–80..	158,000
Colorado State University, Refunding, 3.60%, 1984–85, 1987–88..	500,000
Concordia, Mo., Water & Sewer, 5%, 5¼%, 1970–82..	133,000
Connecticut Turnpike, Series I, 2½%, 1984..	1,000,000
Connecticut Turnpike, Series II, 2¾%, 1983–85..	1,750,000
Decatur Industrial Development Board, Ala., First Mortgage Industrial Development (Fruehauf Corp.), 4%, 1978–79..	420,000
Delaware State Highway Department, Delaware Turnpike, 4½%, 2002..	1,000,000
Delran Sewerage Authority, N. J., Sewer, 4¼%, 2004..	500,000
Detroit, Mich., Sewage Disposal System, 4%, 1984, 1988..	200,000
Detroit, Mich., Water Supply System, 2½%, 3¾%, 3¾%, 1972, 1974–77, 1979, 1990–92..	2,650,000
Dickinson State College, N. D., Student Facilities, 4.60%, 1988–96..	300,000
Douglas County, P. U. D. #1, Wash., Wells Hydroelectric, 4%, 2018..	1,165,000
East Side Levee & Sanitation District, Ill., Sewerage, 4½%, 1999–2005..	500,000
Eastern Illinois University, Residence Hall, 3.80%, 1993–98..	450,000
Eastern Union Township Sewer District, Ohio, Water, 4¾%, 1997–2003..	300,000
Elizabeth River Tunnel District, Va., 4½%, 2000..	1,458,000
Elizabeth Township Sanitary Authority, Pa., Sewer, 4%, 1999..	400,000
Elsmere, Ky., Sewer Refunding & Improvement, 4½%, 4½%, 1981–94..	175,000
Eugene, Ore., Electric System, 3.90%, 4%, 1992–94..	1,100,000
Evansville-Vanderburgh County Building Authority, Ind., 3½%, 2005–06..	1,885,000
Everett, Wash., Water, 4%, 4¼%, 1967–68, 1974–82 (called for 1969)..	305,000
Fairfield, Ohio, Sewerage System & Sewage Disposal Facilities, 4.20%, 2003–06..	720,000
Fargo, N. D., Sewage Utility, 3.70%, 3.75%, 1983–92..	150,000
Ferris State College, Mich., Residence Halls, 3.85%, 1992..	175,000
First Utility District of Anderson County, Tenn., Waterworks System Refunding & Extension, 4¾%, 1982–93..	300,000
Florida Development Commission, State Office Building, Series B, 4¼%, 1976–78..	340,000
Florida Development Commission, State Office Building, Series K, 4½%, 1988–90, 1992..	795,000
Florida Development Commission, University System Improvement, 4.15%, 4¾%, 1980–81, 1988..	1,550,000
Florida State Board of Education, Higher Education, Series B, 4%, 4¼%, 1992, 1995..	1,500,000
Foreman, Ark., Industrial Development, (Arkansas-Louisiana Gas Co.), 4.40%, 1977–81..	500,000
Gainesville & Hall County Development Authority, Ga., Industrial, (Johnson & Johnson), 4¼%, 1982–84..	500,000
Garden City, Kan., Electric System, 4¼%, 1983–85..	510,000
Garland, Tex., Electric, Water & Sewer System, 3½%, 1989–90..	485,000
Georgia Rural Roads Authority, 3.60%, 3.70%, 1975–77..	480,000
Georgia State School Building Authority, 2.60%, 3½%, 1970–71, 1981..	1,500,000
Glascow, Ky., Water & Sewer, 4.30%, 2001–05..	500,000
Glenville, W. Va., Water & Sewer, 4.15%, 1982–2003..	475,000
Grafton, W. Va., Water, 3.90%, 1979–93..	197,000
Grand Haven, Mich., Electric, 4¼%, 1971–72, 1975..	725,000
Grand River Dam Authority, Okla., 4¾%, 2002..	1,000,000
Grant County P. U. D. #2, Wash., Priest Rapids Hydroelectric, 3½%, 2005..	1,502,000
Grant County P. U. D. #2, Wash., Wanapum Hydroelectric, 4¾%, 2009 (called for 1970)..	1,000,000
Grant County P. U. D. #2, Wash., Wanapum Hydroelectric Refunding, 3.85%, 2009..	3,600,000

## INVESTMENTS *Continued*

### Bonds—Continued

	<i>Par Value</i>	<i>Par Value</i>
Green Valley-Glenwood Public Service District, W. Va., Sewer, 4½%, 45/8%, 1980–2004.....	\$ 590,000	\$ 680,000
Greenwood, S. C., Combined Public Utility System, 3½%, 1982–89.....	350,000	190,000
Gurdon, Ark., Industrial Development, (Arkansas-Louisiana Gas Co.), 3.95%, 4%, 1983, 1986.....	1,000,000	1,500,000
Hallsdale-Powell Utility District, Tenn., Waterworks Refunding, 4½%, 1991–92, 1997–98, 2000–03.....	500,000	500,000
Hanover Sewerage Authority, N. J., 4½%, 1996–99.....	435,000	
Hazel Crest, Illinois, Waterworks & Sewerage, 4%, 4½%, 1967–87.....	310,000	1,000,000
Hebron, Ohio, First Mortgage Sewer, 4¼%, 4½%, 1977–2004.....	400,000	250,000
Helena, Ark., Industrial Development, (Arkansas-Louisiana Gas Co.), 4½%, 1985.....	500,000	565,000
Helena, Ark., Waterworks & Sewer, 4%, 1982–91 (called for 1970).....	350,000	195,000
Henderson, Ky., Electric Light & Power, 4%, 1988–89, 1991–95.....	595,000	2,150,000
Henderson, Ky., School Building, 4½%, 1975–79.....	110,000	555,000
Hendry County Board of Public Instruction, Fla., 2%, 4%, 4.05%, 1973–85.....	397,000	
Hinds-Rankin Metropolitan Water & Sewer Association, Inc., Miss., Water & Sewer, 5½%, 2001.....	1,000,000	4,100,000
Hoisington, Kan., Electric System, 4½%, 1967–75.....	250,000	
Honolulu Improvement District #152, Hawaii, 4%, 4½%, 4¾%, 1983.....	875,000	2,000,000
Houston, Tex., Water System, 4.60%, 1986.....	500,000	1,000,000
Illinois, University of, Housing, 4.10%, 4½%, 1967–68, 1990–93.....	2,120,000	450,000
Illinois, University of, Illini Union & Health Center, 3½%, 1986–87.....	250,000	
Illinois Building Authority, 4½%, 1987.....	425,000	
Indiana Toll Road Commission, 3½%, 1994.....	430,000	
Indiana State College, Dormitory & Dining, 3½%, 1990–95.....	500,000	
Indiana University, Athletic Facilities, 4%, 1982, 1987, 1989–91.....	2,120,000	
Indiana University, Education Laboratory School Building, 3½%, 1986–90.....	250,000	
Indianapolis-Marion County Building, Ind., Governmental Building, Refunding, 3.40%, 1997.....	750,000	
Iowa State Board of Regents, Dormitory, 3.60%, 3.70%, 1993–95, 1997–98.....	880,000	
Jacksonville Expressway Authority, Fla., 4.10%, 2003.....	500,000	
Jarman Memorial Hospital Building Fund, Inc., Douglas County, Ill., 4¾%, 1987–91.....	1,500,000	
Jennings County School Building Corp., Ind., 5%, 1996–98.....	2,000,000	
Johnson County Water District #1, Kan., 4¾%, 1981, 1984–85, 1987–88 (called for 1970).....	185,000	
Kansas, University of, Housing System, 3½%, 1994–95, 1997–99.....	500,000	
Kentucky, University of, Consolidated Educational Buildings, 3½%, 1982–83.....	325,000	
Kentucky, Veterans Bonus, 3¾%, 1989–90.....	1,850,000	
Kentucky Turnpike Authority, Central Kentucky Toll Road, 4.10%, 2002.....	600,000	
Kentucky Turnpike Authority, Eastern Kentucky Toll Road, 4½%, 4¾%, 1977–80.....	1,950,000	
Kentucky Turnpike Authority, Western Kentucky Toll Road, 4.85%, 2000.....	3,000,000	
Kentucky Turnpike Authority, Toll Road, 4¾%, 2006.....	250,000	
Lafayette, La., Utilities Revenue Refunding, 3.65%, 1990–91.....	600,000	
Lakeland, Fla., Light & Water, 3.70%, 1981.....	260,000	
Lamar State College of Technology, Tex., Stadium, 4%, 1989–96.....	300,000	
Lancaster Water & Sewer District, S. C., Waterworks Systems, 4¼%, 1977–93.....	235,000	
Leavenworth, Kan., Sewer, 4%, 1981–85.....	500,000	
Lexington, Ky., Sanitary Sewer, 3¾%, 1981, 1984, 1989.....	198,000	
Lexington, Ky., Various Improvement Assessments, Sewer, 4½%, 1980, 1982–84, 1986.....		
Livermore Recreation Corp., Cal., 4%, 2002.....		
Lockport Heights Sanitary District, Ill., Sewerage, 4¾%, 1969–2005.....		
Los Angeles, Cal., Dept. of W. & P., Electric, 3.30%, 3.40%, 3.50%, 1982–83, 1985–86, 1993.....		
Los Angeles, Cal., Dept. of W. & P., Water, 3.20%, 3.30%, 1988, 1990, 1992.....		
Louisville & Jefferson County Metropolitan Sewer District, Ky., 4%, 1978–82, 2000.....		
Lower Allen Township Authority, Pa., Sewer, 3.85%, 1997.....		
Marshfield, Wisc., Electric System, 4.10%, 1985–89.....		
Martinsburg, W. Va., Paving, 4¼%, 1974.....		
Maryland, Northeastern Expressway, 4¾%, 2002.....		
Maryland Port Authority, 4½%, 1967–70.....		
Maryland State Roads Commission, 2.10%, 2½%, 3%, 3.60%, 4%, 4.20%, 4.30%, 1969–70, 1972, 1974, 1979.....		
Massachusetts Turnpike Authority, Boston Extension, Series A, 4¾%, 2002.....		
Massachusetts Turnpike Authority, Boston Extension, Series B, 4%–5%, 2002.....		
Massachusetts Turnpike Authority, Turnpike, 3.30%, 1994.....		
McKeesport Municipal Sanitary Authority, Pa., 4%, 1999.....		
Michigan, Highway Construction, 3%, 1975–76, 1978–79.....		
Michigan, Limited Access Highway, 2%, 2¾%, 3%, 1970–71, 1975, 1977.....		
Michigan State Conservation Commission, State Park, 3¾%, 4¾%, 4½%, 1985–96.....		
Michigan State University, Apartment, 4.10%, 1992.....		
Middle Fork Construction Subdistrict #1, Louisville & Jefferson County Metropolitan Sewer District, 4.20%, 1995.....		
Missouri, Board of Public Buildings, State Office Building, 4%, 1985–89.....		
Monroe, La., Water & Electric, 4¼%, 1995–96.....		
Montana, Long Range Building Program, 3.45%, 3½%, 1992–93.....		
Montana State College, Student Building Fee, 3¾%, 1988–89.....		
Montana State University, Series 1966, 4½%, 1997.....		
Montana State University, Student Building Fee, 3¾%, 1985–89.....		
Montgomery, Ala., Waterworks & Sanitary Sewer Board, 4%, 1979.....		
Montgomery County Revenue Authority, Md., 4.60%, 1971–83.....		
Mora, Minn., Electric, 3.60%, 3.80%, 4%, 1967–74.....		
Mulvane, Kan., Electric System, 4¾%, 1971–80.....		
Municipality of Metropolitan Seattle, Wash., Sewer, 3.70%, 3.80%, 2002, 2004.....		
Nashville Industrial Development Board, Tenn., (Genesco, Inc.), 4%, 4.20%, 1975–77.....		
Nassau County Board of Public Instruction, Fla., 4.15%, 1981–89.....		
New Jersey Expressway Authority, Atlantic City Expressway, 4½%, 4¾%, 2002–03.....		
New Kensington Municipal Parking Authority, Pa., Refunding & Improvement, 4%, 1994.....		
New Kensington Municipal Parking Authority, Pa., Refunding & Improvement, Sewer, 3¾%, 3½%, 1992, 1999.....		
New Port Richey, Fla., Water & Sewer, 3.70%, 3.80%, 1984–85, 1987–92.....		
New York State Dormitory Authority, State University, Series A, 4.50%, 1995.....		
New York State Housing Finance Agency, General Housing Loan, 3.60%, 3¾%, 4%, 1982–87, 1991, 1997–99, 2003–05.....		
New York State Housing Finance Agency, Mental Hygiene Improvement, 3½%, 1990.....		
New York State Finance Agency, State University Construction, 3½%, 1990.....		
New York State Power Authority, 4.20%, 2006.....		
New York State Thruway Authority, 3.10%, 1994.....		
Newton, Kan., Sewage Disposal Plant, 4¼%, 4½%, 1977–81.....		
Newton, Kan., Waterworks System Improvement, 4½%, 1985–89.....		

## INVESTMENTS *Continued*

### Bonds—*Continued*

	<i>Par Value</i>	<i>Par Value</i>
North Carolina State University, Stadium, 3½%, 2005.....	\$ 1,000,000	\$ 500,000
North Dakota, University of, Dormitory, 3.70%, 3¾%, 1992–2000.....	600,000	510,000
North Dakota State University, Dining Hall Facilities, 3.80%, 1980–86.....	153,000	1,000,000
North Little Rock, Ark., Electric, 4%, 1981–89.....	302,000	1,600,000
North Little Rock, Ark., Waterworks, 4%, 1982–87.....	1,144,000	350,000
Northern Illinois University, Dormitory & Student Union, 4½%, 4.20%, 1983–84, 1998–99.....	500,000	153,000
Nutter Fort, W. Va., Water, 5%, 1972–95.....	150,000	900,000
Oak Hill, W. Va., Parking, 4½%, 1995.....	110,000	165,000
Oak Hill, W. Va., Street Paving, 4½%, 1974.....	260,000	500,000
Obetz, Ohio, Waterworks Mortgage Refunding, 4¼%, 1985–93.....	119,000	1,040,000
Ohio, Underground Parking Facility, 4%, 2003.....	1,000,000	125,000
Ohio River–Oldham County Water District, Ky., Water, 4½%, 1993–2005.....	755,000	500,000
Okaloosa County Board of Public Instruction, Fla., 4.60%, 1980–96.....	427,000	350,000
Okeechobee County Board of County Commissioners, Fla., 4.90%, 1986–96.....	855,000	88,000
Oklahoma, University of, Housing & Dining System, 4½%, 1998.....	500,000	500,000
Oklahoma City Municipal Improvement Authority, Okla., Water System, 4.20%, 1995, 2000.....	1,000,000	500,000
Oklahoma Turnpike Authority, Eastern Turnpike Section A, Series B, 5%, 2003 (called for 1971).....	960,000	300,000
Oklahoma Turnpike Authority, H. E. Bailey Turnpike, 4¾%, 2001 (called for 1971).....	2,000,000	200,000
Oklahoma Turnpike Authority, Turnpike System, 4.70%, 2006.....	1,500,000	1,295,000
Omaha Public Power District, Neb., Electric, 3%, 35½%, 3¾%, 3½%, 1974–78, 1985–87, 1991.....	3,615,000	500,000
Orange County Civic Center Authority, Cal., 4.60%, 1989.....	1,000,000	1,600,000
Orlando Utilities Commission, Fla., Water & Electric, 3½%, 3.60%, 1981, 1983–84, 1986, 1992.....	3,000,000	610,000
Owensboro, Ky., School Building, 4¼%, 1983.....	100,000	225,000
Owensboro, Ky., Sewer, 4%, 4½%, 1983–95.....	250,000	750,000
Park City, Utah, Water & Sewer, 4½%, 1979–92.....	211,000	545,000
Parkersburg, W. Va., Sewer, 4½%, 1972–86.....	168,000	500,000
Pennsylvania General State Authority, 2.70%, 3½%, 3.60%, 3¾%, 4%, 4¼%, 1974, 1978–80, 1982–85, 1987–88, 1992–93.....	7,250,000	250,000
Pennsylvania State Highway & Bridge Authority, 2½%, 1975–77.....	1,000,000	250,000
Pennsylvania State Public School Building Authority, School Lease, 3.45%, 1993, 1995.....	460,000	440,000
Petersburg, Alas., Electric & Water, 4¼%, 1980–86.....	165,000	2,346,000
Philippi, W. Va., Sewer, 5%, 1993–2002.....	150,000	300,000
Pierre, S. D., Sewage Treatment Plant, 4%, 1979–85.....	500,000	300,000
Port of Kalama, Wash., Grain Elevator, 4½%, 4¾%, 1977–80, 1990.....	585,000	495,000
Port of New York Authority, 3%, 1982.....	1,000,000	1,000,000
Puerto Rico Aqueduct & Sewer Authority, 4½%, 2002.....	775,000	235,000
Puerto Rico Water Resources Authority, Electric, 2½%, 2.70%, 2.80%, 4%, 1968, 1974–75, 1982, 1998.....	500,000	545,000
Purdue University, Ind., Dormitory Facilities, 3½%, 1995–96.....	300,000	500,000
Redkey, Ind., Sewer, 4¼%, 1989–2001.....	510,000	250,000
Reidland Water District, Ky., Water & Sewer, 4%, 4.10%, 1986–98.....	300,000	500,000
Rhode Island, University of, Student Union Addition, 3½%, 1982, 1985–87.....	1,000,000	300,000
Rhode Island Turnpike & Bridge Authority, Newport Bridge, Series A, 4½%, 2006.....	500,000	225,000
Rhode Island Turnpike & Bridge Authority, Newport Bridge, Series B, 5%, 2006.....	290,000	500,000
Russellville–Whitesburg Utility District, Tenn., Waterworks Refunding & Improvement, 4.40%, 1993–99.....	1,000,000	450,000
Sacramento, Cal., Water, 3½%, 3.60%, 1996–99.....	500,000	300,000
Sacramento Municipal Utility District, Cal., Upper American River Project Refunding, 3.30%, 1991.....	279,000	1,000,000
Salem, W. Va., Sewer, 4%, 1989–2002.....		1,475,000
San Antonio, Tex., Electric & Gas, 3.30%, 1979.....		\$ 500,000
San Diego, Cal., Waterworks, 3½%, 1989–91.....		510,000
Santa Rosa Urban Renewal Agency, Cal., Santa Rosa Center Project, 4.10%, 1994.....		1,000,000
Seattle, Wash., Municipal Water, 3½%, 35½%, 3¾%, 1979–80, 1987–89.....		1,600,000
Seneca, S. C., Combined Utility System, 3.50%, 3.60%, 1983–88.....		350,000
Shelley, Idaho, Water & Sewer, 4½%, 1977–82.....		153,000
Sitka, Alas., Municipal Utilities, 4½%, 4.55%, 4.60%, 1982–88, 1990–94.....		900,000
South Dakota School of Mines & Technology, Dormitory, 3.90%, 4%, 4.10%, 1977–90.....		165,000
Springfield, Mo., Public Utility, 3.70%, 1983, 1985.....		500,000
Springfield, Mo., Water, 4½%, 1992–97.....		1,040,000
Steele, Mo., Water & Sewer, 4¾%, 1970–90.....		125,000
Stockton Redevelopment Agency, Cal., West End Project, 4.90%, 1996.....		500,000
Stonewood, W. Va., Sewer, 4¼%, 1982–2004.....		350,000
Streamwood, Ill., Waterworks & Sewerage, 4½%, 2000–04.....		500,000
Sturtevant, Wisc., Water & Sewer, 5½%, 1967–87.....		88,000
Suffolk County Water Authority, N. Y., Water, 3½%, 1996.....		500,000
Tacoma, Wash., Light & Power, 4.40%, 1993 (called for 1970).....		500,000
Tallahassee, Fla., Municipal Electric, 4½%, 1969, 1971.....		325,000
Tampa, Fla., Special Obligation Capital Improvement, 3.70%, 1981–84.....		1,000,000
Texarkana, Ark., Industrial Development, (Cooper Tire & Rubber Co.), 6%, 1990.....		400,000
Texarkana, Ark., Industrial Development, (North American Car Corp.), 4¼%, 1977, 1980, 1982, 1985, 1991.....		200,000
Texas A. & M. College, Permanent University Fund, 2.70%, 3.40%, 1971–73, 1977–78.....		1,295,000
Toledo, Ohio, Sewerage System, 4.10%, 1990–91.....		500,000
Triborough Bridge & Tunnel Authority, N. Y., 2½%, 1968–69.....		610,000
Tyler, Tex., Waterworks & Sewer System, 3.55%, 3.60%, 1994–97.....		610,000
Union, S. C., Combined Public Utility System, 3.60%, 1979–81.....		750,000
Union County Board of Public Instruction, Fla., 4¾%, 4.80%, 1978–95.....		225,000
U. S. 60 Water District of Shelby & Franklin Counties, Ky., Waterworks System, 5½%, 1981–2004.....		303,000
Upper Gwynedd Township Authority, Pa., Sewer, 3.85%, 2003.....		300,000
Upper Potomac River Commission, Md., Sewer, 3.70%, 1973–79.....		495,000
Vermont State Colleges, Dormitory Systems, 4¾%, 2003–06.....		1,000,000
Versailles, Ky., Industrial Building, (Rand McNally Co.), 4%, 1975, 1977, 1979–80.....		235,000
Villa Grove, Ill., Waterworks & Sewerage, 4¾%, 1967–2000.....		545,000
Washington, Public Building, 3½%, 1976.....		500,000
Washington, School Plant Facilities, 4%, 1969.....		250,000
Washington, University of, General Tuition Fee, 3½%, 1990–91, 1994.....		500,000
Washington State University, General Tuition Fee & Scientific Fund, 4%, 1992–96.....		740,000
Washington Toll Bridge Authority, Ferry & Hood Canal Bridge, 3.60%, 3.70%, 1990–91, 1995, 1997, 1999–2001.....		1,100,000
Wenatchee, Wash., Water & Sewer, 4½%, 1985–90 (called for 1975).....		440,000
West Virginia State Armory Board, Armory, 3¾%, 4%, 4¼%, 4½%, 4.60%, 1967–91.....		300,000
Western Fleming County Water District, Ky., Water, 5½%, 1988–2003.....		225,000
Wheeling, W. Va., Sewer, 3½%, 1986–89.....		500,000
Wichita, Kan., Waterworks, 4½%, 1983 (called for 1970).....		500,000
Wichita Falls, Tex., Water & Sewer, 3.30%, 1986–87.....		450,000
Williamsburg, Ohio, Sewerage System & Sewage Disposal Plant, 5%, 1985–2001.....		300,000
Winchester, Ky., Industrial Building, (Rockwell Standard Corp.), 5½%, 1991.....		1,000,000
Wisconsin State Agencies Building Corp., Educational Facilities, 3¾%, 3.90%, 1974–75, 1978, 1989.....		1,475,000

## INVESTMENTS *Continued*

### Bonds—Continued

	<i>Par Value</i>
Wisconsin State Agencies Building Corp., Educational & Welfare Facilities, 3½%, 1994.....	\$ 1,000,000
Wisconsin University Building Corp., Dormitory, 3½%, 2001	400,000
Woodbury, Minn., Utility, 4.70%, 1970-85.....	208,000
Wyoming, University of, Dormitory & Dining, 3.80%, 2004-05, 2008.....	800,000
Yuba County Water Agency, Cal., Yuba River Development, 4%, 2016.....	1,000,000
	\$217,364,000

### Canadian and Miscellaneous

	<i>Par Value</i>
Canada, 2¾%, 5%, 1968, 1973.....	\$ 570,000
Canadian Trust Fund.....	9,629,000
Carretera del Interior de la Republica, Panama, Series B, 6%, 1985.....	12,000
Colon, Panama, 6%, 1972.....	35,000
Institute de Vivienda y Urbanismo, Panama, 6%, 1984.....	3,000
Manitoba Hydro-Electric Board, 6%, 1982.....	50,000
Xerox Corp., Convertible Debentures, 4%, 1984.....	325,000
	\$ 10,624,000

### Stocks

<i>Shares</i>		<i>Market Value*</i>
<b>— RAILROAD —</b>		
75,800	Atlantic Coast Line Company (Connecticut).....	\$ 2,349,800
49,800	Denver and Rio Grande Western Railroad Company	846,600
12,400	Great Northern Railway Company.....	644,800
10,800	Louisville and Nashville Railroad Company.....	853,200
17,170	Norfolk and Western Railway Company.....	1,682,660
99,800	St. Louis-San Francisco Railway Company.....	3,792,400
25,500	Seaboard Air Line Railroad Company.....	1,020,000
69,500	Southern Pacific Company.....	1,946,000
28,000	Southern Railway Company.....	1,176,000
24,200	Union Pacific Railroad Company.....	919,600
<b>— PUBLIC UTILITY —</b>		
<b>ELECTRIC</b>		
117,430	American Electric Power Company, Inc.....	\$ 4,697,200
43,478	Arizona Public Service Company.....	1,260,862
77,100	Baltimore Gas and Electric Company.....	2,698,500
67,800	Carolina Power and Light Company.....	2,983,200
76,600	Central Louisiana Electric Company, Inc.....	1,915,000
69,800	Central and South West Corporation.....	3,280,600
106,300	Cincinnati Gas and Electric Company.....	2,870,100
64,700	Consumers Power Company.....	3,299,700
42,500	Florida Power Corporation.....	2,125,000
47,600	Florida Power and Light Company.....	3,522,400
116,800	Gulf States Utilities Company.....	3,153,600
93,318	Houston Lighting and Power Company.....	4,665,900
46,400	Idaho Power Company.....	1,577,600
75,600	Illinois Power Company.....	3,175,200
108,800	Kansas Gas and Electric Company.....	3,481,600
85,600	Middle South Utilities, Inc.....	2,225,600
50,400	Montana Power Company.....	1,612,800
27,000	Ohio Edison Company.....	756,000
88,740	Oklahoma Gas and Electric Company.....	2,573,460

### Stocks—Continued

<i>Shares</i>		<i>Market Value*</i>
26,000	Philadelphia Electric Company.....	832,000
57,479	Public Service Company of Colorado.....	1,379,496
95,320	Public Service Company of New Mexico.....	2,383,000
47,300	South Carolina Electric and Gas Company.....	1,608,200
44,300	Southern Company, The.....	1,284,700
92,300	Texas Utilities Company.....	5,261,100
44,900	Virginia Electric and Power Company.....	2,155,200
36,000	Wisconsin Electric Power Company.....	1,044,000

### GAS

<i>Shares</i>		<i>Market Value*</i>
109,400	Arkansas Louisiana Gas Company.....	\$ 4,485,400
48,000	Consolidated Natural Gas Company.....	1,392,000
51,875	Houston Natural Gas Corporation.....	2,697,500
156,800	Pioneer Natural Gas Company.....	2,038,400
54,900	Southern Union Gas Company.....	1,262,700
106,500	Southwest Gas Corporation.....	2,130,000

### TELEPHONE

<i>Shares</i>		<i>Market Value*</i>
42,900	American Telephone and Telegraph Company.....	\$ 2,402,400
83,900	General Telephone and Electronics Corporation.....	3,859,400
51,600	United Utilities Incorporated.....	1,341,600

### — BANK AND FINANCIAL —

<i>Shares</i>		<i>Market Value*</i>
21,000	Bank of New York, The.....	\$ 1,617,000
11,000	Central Trust Company (Cincinnati).....	363,000
30,362	Chase Manhattan Bank (N. A.).....	1,882,444
12,750	Chemical Bank New York Trust Company.....	586,500
14,300	Citizens Fidelity Bank and Trust Company (Louisville).....	800,800
41,210	Citizens and Southern National Bank, The (Savannah).....	1,730,820
18,335	Continental Illinois National Bank and Trust Company.....	696,730
36,100	Crocker-Citizens National Bank.....	1,263,500
18,136	Equitable Trust Company (Baltimore).....	852,392
35,900	First Bank Stock Corporation.....	1,328,300
14,673	First National Bank of Birmingham.....	660,285
25,600	First National Bank in Dallas.....	896,000
26,250	First National Bank of Maryland.....	1,496,250
22,410	First National Bank (Miami).....	1,322,190
68,600	First National City Bank (New York).....	3,841,600
45,771	First Oklahoma Bancorporation, Inc.....	333,672
175,000	Insurance Securities, Inc.....	950,250
41,000	Maryland National Bank.....	2,788,000
4,075	Mellon National Bank and Trust Company.....	301,550
13,640	Mercantile-Safe Deposit and Trust Company (Baltimore).....	1,173,040
12,754	Morgan Guaranty Trust Company of New York.....	1,147,860
11,795	South Carolina National Bank.....	436,415
29,612	Union Trust Company of Maryland.....	1,954,392
11,800	United Virginia Bankshares, Inc.....	625,400
20,900	Waddell and Reed, Inc.....	689,700
44,400	Western Bancorporation.....	1,376,400
	Various Savings and Loan Accounts.....	37,600

### — INDUSTRIAL —

<i>Shares</i>		<i>Market Value*</i>
29,544	General Motors Corporation.....	\$ 1,949,904

### BUILDING MATERIAL

<i>Shares</i>		<i>Market Value*</i>
37,000	Armstrong Cork Company.....	\$ 1,776,000
28,000	Medusa Portland Cement Company.....	644,000
56,300	Otis Elevator Company.....	2,139,400
17,600	Sherwin-Williams Company.....	809,600
14,000	United States Gypsum Company.....	784,000

# INVESTMENTS *Continued*

## **Stocks—Continued**

<u>Shares</u>		<u>Market Value*</u>	<u>Shares</u>		<u>Market Value*</u>
<b>CHEMICAL</b>					
40,800	American Cyanamid Company.....	\$ 1,264,800	50,900	Ennis Business Forms, Inc.....	\$ 763,500
38,925	Celanese Corporation of America.....	1,868,400	70,664	International Business Machines Corporation.....	26,287,008
39,266	Dow Chemical Company.....	2,434,492	18,780	National Cash Register Company.....	1,277,040
12,900	Du Pont, E. I., de Nemours and Company.....	1,857,600	24,400	Xerox Corporation.....	4,831,200
105,700	Eastman Kodak Company.....	13,635,300			
154,400	FMC Corporation.....	4,632,000			
50,600	Hercules Powder Company.....	2,226,400			
61,200	Minnesota Mining & Manufacturing Company.....	4,773,600			
58,809	Monsanto Company.....	2,411,169			
36,300	Olin Mathieson Chemical Corporation.....	2,141,700			
50,200	Union Carbide Corporation.....	2,359,400			
<b>DRUG AND HOUSEHOLD PRODUCT</b>					
102,000	American Home Products Corporation.....	\$ 8,160,000	30,700	Amerada Petroleum Corporation.....	\$ 2,363,900
41,600	Bristol-Myers Company.....	2,288,000	32,800	Atlantic Richfield Company.....	2,853,600
42,550	Chesebrough-Pond's, Inc.....	1,233,950	46,800	Continental Oil Company.....	3,322,800
72,300	Gillette Company.....	3,036,600	56,500	Gulf Oil Corporation.....	3,333,500
38,700	Lilly, (Eli) & Company.....	3,405,600	42,200	Louisiana Land & Exploration Company.....	2,489,800
77,700	Merck & Company, Inc.....	5,982,900	47,551	Marathon Oil Company.....	2,995,713
7,600	Syntex Corporation.....	539,600	177,800	Mobil Oil Corporation.....	8,356,600
78,100	Warner-Lambert Pharmaceutical Company.....	2,967,800	14,394	Standard Oil Company of California.....	863,667
			40,000	Standard Oil Company (Indiana).....	1,920,000
			134,386	Standard Oil Company (New Jersey).....	8,466,318
			72,825	Texaco, Inc.....	5,243,400
<b>ELECTRICAL EQUIPMENT AND ELECTRONIC</b>					
10,000	Beckman Instruments, Inc.....	\$ 460,000			
53,900	Black & Decker Manufacturing Company.....	2,910,600			
34,500	Emerson Electric Company.....	2,070,000			
43,600	General Cable Corporation.....	1,482,400			
51,700	General Electric Company.....	4,601,300			
7,474	Litton Industries, Inc.....	605,394			
15,307	Litton Industries, Inc., Preference.....	1,270,481			
106,800	Magnavox Company, The.....	3,951,600			
57,000	Mallory, P. R., & Company, Inc.....	2,793,000			
35,550	Motorola, Inc.....	3,306,150			
29,054	Texas Instruments Incorporated.....	2,905,400			
37,500	Westinghouse Electric Corporation.....	1,800,000			
<b>FOOD AND BEVERAGE</b>					
94,560	Anheuser-Busch, Inc.....	\$ 5,579,040			
41,200	Coca-Cola Company, The.....	3,708,000			
29,500	General Foods Corporation.....	2,124,000			
51,108	Howard Johnson Company.....	1,839,888			
12,100	Iowa Beef Packers Incorporated.....	326,700			
39,800	Kellogg Company.....	1,472,600			
<b>GLASS</b>					
16,400	Corning Glass Works.....	\$ 5,067,600			
63,400	Owens-Illinois, Inc.....	3,423,600			
55,300	Pennsylvania Glass Sand Corporation.....	2,212,000			
<b>INDUSTRIAL MACHINERY</b>					
30,000	Babcock & Wilcox Company.....	\$ 1,110,000			
48,000	Caterpillar Tractor Company.....	1,680,000			
<b>METAL AND MINING</b>					
15,700	Aluminum Company of America.....	\$ 1,224,600			
53,900	American Metal Climax, Inc.....	2,317,700			
18,400	American Smelting and Refining Company.....	1,085,600			
11,000	International Nickel Company of Canada, Ltd.....	1,045,000			
7,400	National Lead Company.....	407,000			
12,222	Newmont Mining Corporation.....	549,990			
35,120	Reynolds Metals Company.....	1,756,000			
<b>OFFICE EQUIPMENT</b>					
50,900	Ennis Business Forms, Inc.....	\$ 763,500			
70,664	International Business Machines Corporation.....	26,287,008			
18,780	National Cash Register Company.....	1,277,040			
24,400	Xerox Corporation.....	4,831,200			
<b>OL</b>					
30,700	Amerada Petroleum Corporation.....	\$ 2,363,900			
32,800	Atlantic Richfield Company.....	2,853,600			
46,800	Continental Oil Company.....	3,322,800			
56,500	Gulf Oil Corporation.....	3,333,500			
42,200	Louisiana Land & Exploration Company.....	2,489,800			
47,551	Marathon Oil Company.....	2,995,713			
177,800	Mobil Oil Corporation.....	8,356,600			
14,394	Standard Oil Company of California.....	863,667			
40,000	Standard Oil Company (Indiana).....	1,920,000			
134,386	Standard Oil Company (New Jersey).....	8,466,318			
72,825	Texaco, Inc.....	5,243,400			
<b>PAPER</b>					
13,750	Crown Zellerbach Corporation.....	\$ 618,750			
17,616	International Paper Company.....	440,400			
<b>RETAIL TRADE</b>					
60,400	Bobbie Brooks, Inc.....	\$ 1,026,800			
51,100	Federated Department Stores, Inc.....	2,810,500			
42,400	Interco, Inc.....	1,526,400			
64,100	Kresge (S. S.) Company.....	2,435,800			
11,500	Penney, J. C., Company.....	621,000			
<b>RUBBER</b>					
9,085	Goodyear Tire & Rubber Company.....	\$ 381,570			
<b>STEEL</b>					
16,800	Bethlehem Steel Corporation.....	\$ 487,200			
18,400	National Steel Corporation.....	736,000			
16,400	United States Steel Corporation.....	606,800			
<b>TOBACCO</b>					
30,100	Consolidated Cigar Corporation.....	\$ 541,800			
36,800	Reynolds, R. J., Tobacco Company.....	1,251,200			
<b>TRANSPORTATION, LEASING AND EQUIPMENT</b>					
79,500	ACF Industries, Inc.....	\$ 3,021,000			
37,500	Fruehauf Corporation.....	975,000			
65,000	General American Transportation Corporation.....	2,210,000			
46,200	North American Car Corporation.....	877,800			
<b>— CANADIAN —</b>					
78,550	Canadian Trust Fund Stocks.....	\$ 2,898,400			
Total Stocks (excluding subsidiaries).....					
		\$ 375,056,892			
<b>SUBSIDIARIES</b>					
10	Carter & Jones, Inc.....	\$ 30,000			
4,392	Del Mar Company, The.....	1,214,786			
19,988	Fidelity and Guaranty Insurance Underwriters, Inc.	9,661,200			
10,000	Fidelity and Guaranty Life Insurance Company.....	15,000,000			
2,225	Fidelity Insurance Company of Canada.....	1,850,000			
2,109	General Adjustment Bureau, Inc., and National Board of Fire Underwriters.....	\$ 101,773			

\* Market values as prescribed by The National Association of Insurance Commissioners.

## Bond Maturity Schedule

### Par Values

Maturity	U. S. Government	New Housing Authority	State and Local Government	Canadian and Miscellaneous	Total
1 year.....	\$19,250,000	\$ 120,000	\$ 1,665,000	\$ 150,000	\$ 21,185,000
2 to 5 years.....	10,000,000	855,000	20,429,000	270,000	31,554,000
6 to 10 years.....		1,600,000	29,985,000	2,145,000	33,730,000
11 to 20 years.....		10,455,000	100,185,000	7,009,000	117,649,000
21 to 30 years.....		17,092,000	92,500,000	1,050,000	110,642,000
31 to 40 years.....		8,775,000	68,340,000		77,115,000
41 years et seq.....			14,717,000		14,717,000
TOTALS.....	\$29,250,000	\$38,897,000	\$327,821,000	\$10,624,000	\$406,592,000

## Classifications of Municipal Bonds

### Par Values

		% of Revenues	% of Municipals
New Housing Authority.....	\$ 38,897,000	10.6%	
General Obligation.....	110,457,000		30.1
Revenue			
Utility.....	\$85,933,000	39.6%	
Toll, Parking, Motor Vehicle & Gas Tax.....	48,055,000	22.1	
College & University.....	21,221,000	9.8	
Industrial.....	9,805,000	4.5	
General Fund Lease.....	27,300,000	12.5	
Miscellaneous.....	25,050,000	11.5	
TOTAL REVENUE.....	217,364,000	100.0%	59.3%
TOTAL MUNICIPAL.....	\$366,718,000		100.0%

## Geographical Distribution of State and Local Government Bonds

### Par Values

Alabama.....	\$ 4,610,000	Maine.....	\$ 1,860,000	Oregon.....	\$ 1,968,000
Alaska.....	5,780,000	Maryland.....	11,105,000	Pennsylvania.....	12,381,000
Arizona.....	1,100,000	Massachusetts.....	11,788,000	Puerto Rico.....	3,525,000
Arkansas.....	6,269,000	Michigan.....	13,130,000	Rhode Island.....	3,800,000
California.....	39,565,000	Minnesota.....	2,818,000	South Carolina.....	8,683,000
Colorado.....	2,861,000	Mississippi.....	5,375,000	South Dakota.....	575,000
Connecticut.....	6,020,000	Missouri.....	3,445,000	Tennessee.....	5,055,000
Delaware.....	1,600,000	Montana.....	2,585,000	Texas.....	9,550,000
Florida.....	15,493,000	Nebraska.....	3,615,000	Utah.....	2,058,000
Georgia.....	4,470,000	Nevada.....	—	Vermont.....	1,000,000
Hawaii.....	1,325,000	New Hampshire.....	1,280,000	Virginia.....	1,808,000
Idaho.....	153,000	New Jersey.....	8,131,000	Washington.....	20,104,000
Illinois.....	11,642,000	New Mexico.....	287,000	West Virginia.....	7,350,000
Indiana.....	9,835,000	New York.....	20,794,000	Wisconsin.....	3,528,000
Iowa.....	3,250,000	North Carolina.....	3,075,000	Wyoming.....	1,800,000
Kansas.....	3,747,000	North Dakota.....	4,593,000	TOTAL.....	\$327,821,000
Kentucky.....	17,506,000	Ohio.....	4,839,000		
Louisiana.....	3,230,000	Oklahoma.....	7,460,000		

## Industry Diversification of Stocks

	Combined Portfolio Market Values	%		Combined Portfolio Market Values	%
Railroad.....	\$ 15,231,060	4.1%	Food & Beverage.....	\$ 15,050,228	4.0
Public Utility			Glass.....	10,703,200	2.9
Electric.....	\$ 67,822,018	18.1%	Industrial Machinery.....	2,790,000	0.7
Natural Gas.....	14,006,000	3.7	Metal & Mining.....	8,385,890	2.2
Telephone.....	7,603,400	2.0	Office Equipment.....	33,158,748	8.8
Total Public Utility.....	\$ 89,431,418	23.8%	Oil.....	42,209,298	11.3
Bank and Financial.....	\$ 31,152,090	8.3%	Paper.....	1,059,150	0.3
Industrial			Retail Trade.....	8,420,500	2.2
Automobile.....	\$ 1,949,904	0.5%	Rubber.....	381,570	0.1
Building Material.....	6,153,000	1.6	Steel.....	1,830,000	0.5
Canadian Trust Fund.....	2,898,400	0.8	Tobacco.....	1,793,000	0.5
Chemical.....	39,604,861	10.6	Transportation, Leasing & Equipment.....	7,083,800	1.9
Drug & Household Products.....	27,614,450	7.4	Total Industrial.....	\$239,242,324	63.8%
Electrical & Electronic.....	28,156,325	7.5	Total Stocks (excluding subsidiaries)	\$375,056,892	100.0%

1,933,000 *second largest*  
250,000 cap. stock paid.

## SUBSIDIARY COMPANIES

A brief sketch of each subsidiary company is included for the convenience of shareholders who may not be familiar with the history and activities of the companies. The amount of U. S. F. & G. investment in these subsidiaries will be found at the bottom of page 21.

### Fidelity Insurance Company of Canada

In the period following World War I, it became apparent that it would be advantageous for U. S. F. & G. to form a subsidiary in Canada. The Canadian Government would accept only those guaranty bonds written by a Canadian or British company. Additionally, while U. S. F. & G. had been entered in Canada since 1903, a Canadian subsidiary would strengthen and stimulate ties in Canada and provide opportunities for expanding agency representation.

Fidelity Insurance Company of Canada was incorporated by act of the House of Commons in March of 1921 and commenced operations in May of 1922. For its first full year, the gross premiums were \$91,248. This business was primarily fidelity and surety bonds. Later, casualty covers were added and in 1956 the Company began writing fire and allied lines. The fire and multi-peril business was reinsured 100% by U. S. F. & G., with some retrocession of U. S. risks to this company.

Today, FIC is entered in all Provinces of Canada and writes all major classes of business with the exception of life insurance and ocean marine. The more than two-hundred agents in 1966 produced a volume of \$2,198,721, supported by assets of \$4,561,071 and capital funds of \$2,182,770. U. S. F. & G. owns all the stock of the Company with the exception of qualifying shares of directors, the majority of whom are Canadian citizens. Management and staff of this Company, as well as all operations of U. S. F. & G. Company in Canada, have always exclusively been Canadians. The operating result for 1966 was \$322,887.

### Fidelity and Guaranty Life Insurance Company

Recognizing that the public increasingly looked to one source for the purchase of insurance protection, and since the independent agent was the source of all U. S. F. & G. business, it followed that, if the agents were provided with life insurance facilities, the U. S. F. & G. group would be able to serve the whole account with greater yield from existing business and opportunity for future growth. To implement this, Fidelity and Guaranty Life Insurance Company was incorporated in December 1959, in Maryland, with a capital and surplus of \$10,000,000, wholly owned by U. S. F. & G. Mr. Charles L. Phillips was elected Chairman of the Board and Mr. William E. Pullen was elected President. Current operations and financial statement are shown on Page 12.

### Fidelity and Guaranty Insurance Underwriters, Inc.

Prior to the merger in 1952 of Fidelity and Guaranty Insurance Corporation into U. S. F. & G., there were two states, Arizona and Ohio, that did not permit the writing of fire together with casualty and bonding lines. In order to service the agents in those states, Fidelity and Guaranty Insurance Corporation formed a subsidiary in September of 1951 in the State of Ohio with an initial capital of \$1,000,000. Mr. Harry F.

Ogden was elected the first President. At the time of merger, ownership of this subsidiary passed to U. S. F. & G. which then owned all stock except directors' qualifying shares.

The Company was licensed in Arizona and Ohio and began business in November 1951. Later the restrictions in the states against the writing of multiple lines were removed. The business of FGUII was reinsured 50% by U. S. F. & G. until the start of 1956, at which time the reinsurance agreement was changed to 100%, for maximum financial support behind each policy issued.

Over the years, the Company has been entered in additional states until it is now licensed in thirty-nine states. The Company has afforded an opportunity for additional agency representation and at the end of 1966, its writings were \$10,761,298 and it was represented by approximately sixteen-hundred agents. Assets were \$9,667,004 and capital funds \$9,667,004. The Company is licensed to write all lines of insurance with the exception of life. In a number of states, the Company writes participating policies in compensation and automobile lines. The operating result of 1966, before Federal tax, was \$228,636.

### The Del Mar Company

The Del Mar Company, Baltimore, Maryland, was incorporated in the State of Delaware on November 29, 1920. It was capitalized for \$240,000 and the original incorporators were John R. Bland, R. Howard Bland and Charles O Scull. In January of 1922, it purchased all the shares of the newly-organized Fidelity Insurance Company of Canada. Eventually these shares were sold to the parent company.

In 1934, the Company borrowed \$9,800,000 from Reconstruction Finance Corporation and purchased 800,000 preferred shares of U. S. F. & G., which it held until the close of 1936 when the shares were redeemed. During the period 1936 to 1948, the Company held the automobile fleet which was used by U. S. F. & G. in the conduct of its business. In 1946, it purchased the corporation which owned the building housing the U. S. F. & G. New York Office and in 1947, it purchased the shares of the Textower Building in Seattle, both of which were later transferred to the parent company.

Under the leadership of the late R. Brewer Joyce, the Finance Division was organized in 1932, which now is the principal business of the Del Mar Company. Premium financing plans were designed for agents who produced business for the parent company and the Del Mar Company purchases from the agents any premium financing notes which they may arrange with their policyholders. The Company then continues to service these loans, thus affording a popular service to the agents who use these premium financing plans.

In 1966, Del Mar financed \$20,000,000 in premiums on policies issued by U. S. F. & G. agents. Capital funds at year-end were \$1,214,786 and the profit for 1966, before Federal tax, was \$131,729.

# DIRECTORS

December 31, 1966

JOSEPH D. BAKER, JR., 1944

JACOB BLAUSTEIN, 1935

President, American Trading & Production Corp.

JOHN B. BRIDGWOOD, 1964

Executive Vice President,  
Chase Manhattan Bank N. A.

CHARLES H. BUCK, 1951 \* †

Chairman, The Title Guarantee Co.

THOMAS B. BUTLER, 1960 \* †

Chairman of the Board, Mercantile-Safe Deposit  
and Trust Company

CHARLES P. CRANE, 1947 \* †

Chairman of the Executive Committee,  
Baltimore Gas and Electric Company

JOHN N. CURLETT, 1966

President, McCormick & Company, Inc.

MCKENNY W. EGERTON, 1964

Piper & Marbury

EDWARD J. GALLAGHER, JR., 1936

President, E. J. Gallagher Realty Co.

CHARLES B. GILLET, 1951

Chairman of Board, Peoples Water Service Co.

WILLIFORD GRAGG, 1963

Senior Executive Vice President

ROBERT D. H. HARVEY, 1964 \* †

Chairman of Board, Maryland National Bank

WALTER J. JEFFERY, 1960 \* †

Chairman of the Board and President

EDWIN W. LEVERING, JR., 1928

ADRIAN L. McCARDELL, 1966

President, First National Bank of Maryland

S. PAGE NELSON, 1946 \* †

Chairman of the Board,  
The Savings Bank of Baltimore

HARRY F. OGDEN, 1940

WILLIAM E. PULLEN, 1958 \* †

Chairman of the Finance Committee

J. PURDON WRIGHT, 1935

Attorney-at-Law

Date after name indicates year of original election.

\* Member of the Executive Committee

† Member of the Finance Committee

Transfer Agent: MARYLAND NATIONAL  
BANK, Baltimore, Maryland 21203

Registrar: MERCANTILE-SAFE DEPOSIT AND  
TRUST COMPANY, Baltimore, Maryland 21203

# OFFICERS

WALTER J. JEFFERY  
WILLIFORD GRAGG  
SAM G. BROWNING  
HERBERT R. PRESTON  
R. WILSON OSTER  
WILLIAM R. PHELAN

*Chairman of the Board and President  
Senior Executive Vice President  
Executive Vice President  
Executive Vice President  
Financial Vice President  
Vice President-Treasurer and Secretary*

## Vice Presidents:

CHARLES S. ADAMS, JR.	JOHN D. HEALEY
GEORGE F. AVERY (New York)	ARTHUR C. HOLMES
ROBERT A. BOLIN	HUGH E. RICHESON
GEORGE W. BOOKHOUT, JR.	WILBUR F. SMITH
KARL H. DOERRE	WILLIAM H. SPENCER
CHARLES H. FOELBER	

STEWART BROWN	<i>Vice President and Tax Counsel</i>
J. HARRY CROSS	<i>Vice President and General Counsel</i>
RICHARD L. JOHE	<i>Vice President and Actuary</i>

## Assistant Vice Presidents:

ROBERT H. COWAN	DAVID H. MEEHAN
WILLIAM J. FLINT	ROBERT B. MORISON
HILBERT E. FOOS	T. RAMSAY TAYLOR
WILLIAM M. HARVEY	THOMAS M. TONGUE
RICHARD K. HOFFMAN	DONALD E. VAILE
C. BROOKS HOLLEY	JOHN T. WEST
JAMES A. MAPPUS	

CHARLES T. BAUER, Assistant Financial Vice President
JOHN J. HAMILTON, Assistant Vice President and Statistician
JACK MOSELEY, Asst. Vice Pres. and Associate Actuary
WILLIAM J. CARLE, JR., Assistant Actuary

## Assistant Secretaries:

EDWARD D. BANGS	ALFRED W. GRIFFITH
RICHARD H. BLAND, JR.	JAMES E. HACKETT
MARK F. BOYER	WILLIAM K. McCARDELL
EDWARD W. BUFFINGTON	RICHARD D. REINHARDT
JOHN E. DALLAM	DAVID L. ROYER
DAVID M. ENGLER	HENRY G. SACHSE

## Assistant Treasurers:

WILLIAM T. HARRINGTON	JOSEPH L. PLACHT
HAROLD S. HIGGINS	BERNARD C. POHLHAUS
HENRY M. LANGHIRT	

<i>Resident Secretaries:</i>	<i>Assistant Investment Officer</i>
WILLIAM KELLER, JR. (New York)	WILLIAM C. WHITRIDGE
HERBERT W. MUELLER (Chicago)	

## Auditor:

JOSEPH P. KIRCHER

## Cashier:

ROY N. PALMER

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**ARIZONA**  
 Phoenix  
*T. D. Gibson*

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 Little Rock  
*Robert H. Wood*

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 Los Angeles  
*John G. Harkness*  
 Sacramento  
*John D. Walker*  
 San Francisco  
*Cecil C. Lloyd*  
 San Jose  
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 Montreal  
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*Thomas T. Wilson*

**DISTRICT OF COLUMBIA**  
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 Salt Lake City  
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**VIRGINIA**  
 Richmond  
*H. Monroe Baisden*

**WASHINGTON**  
 Seattle  
*John R. Johnston*

**WEST VIRGINIA**  
 Charleston  
*William L. Pyle*

**WISCONSIN**  
 Milwaukee  
*Urban M. Krier*

*Foreign Managers—AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION*

*Ocean Marine Managers—AMERICAN INTERNATIONAL MARINE AGENCY*

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FIDUCIARY and COURT BONDS  
LOST INSTRUMENT BONDS  
MISCELLANEOUS BONDS

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Fidelity and Guaranty Life Insurance Company  
Fidelity and Guaranty  
Insurance Underwriters, Inc.  
Fidelity Insurance Company of Canada  
The Del Mar Company